AUDITED FINANCIAL REPORTING

Management report

Consolidated financial statements

Your Notes

Management report

ECONOMIC ENVIRONMENT

In 2018, the global economic developments were characterised by diverging monetary policies among the world's major central banks, trade disputes between the United States and its key trading partners, unresolved negotiations about the United Kingdom's withdrawal from the European Union, US sanctions against emerging countries such as Russia and Iran, and last but not least Italy's budget dispute with the European Union. Economic activity in advanced economies remained solid, with the United States outperforming both the euro zone and Japan. Although growth in Japan slightly decelerated in 2018, overall economic conditions remained favourable as the country benefitted from its lowest unemployment rate since the 1990s. Economic activity in emerging markets continued to show significant divergence across countries and regions. Growth in several emerging markets outside Asia, such as South Africa, Mexico, and Argentina fell short of expectation due to macroeconomic imbalances, domestic policy uncertainty and geopolitical developments. Argentina and Turkey were also impacted by currency turmoils and financial market weaknesses. By contrast, commodity exporting countries, like Russia, benefitted from higher average oil prices which boosted exports and improved current account balances and fiscal positions. China and India again outperformed other emerging markets due to their robust private consumption and firm investment activity. Within Europe, the Central and Eastern European (CEE) countries again outperformed the euro zone in terms of GDP growth, mainly driven by a robust domestic demand.

Among major central banks, policies continued to diverge. While the Swiss National Bank, the European Central Bank (ECB) and the Bank of Japan left key interest rates unchanged throughout the year, the Bank of England and the Federal Reserve (Fed) increased their key rates in by 0.25% and by 1.00%, respectively in 2018. Overall, global economic growth continued with 3.7%, in 2018.[1]

The United States' economy continued its good performance. Economic growth was significantly supported by an increased consumer and public spending and a strong labour market as well as the initial impact of personal income tax cuts. In addition, exports performed better than expected and also contributed to economic growth. Employment growth continued to strengthen, pushing the unemployment rate below 4%[2]. The budgetary impact of the fiscal stimulus, however, led to falling revenues and a deterioration in the fiscal position. Inflation increased mainly on the back of rising energy prices and higher wages which led to core inflation hitting the Fed's 2% target for the first time since 2012. Based on the strong economic performance, the Fed decided to raise its key rate in four steps by 100 basis points, to 2.50% during the year. Overall, the US economy grew by 2.9%[3] in 2018.

Economic growth in the euro zone slowed down after having grown at its fastest pace a year ago. This was mainly due to the weaker performance of exports which were impacted by the decline in global trade activity. In addition, several domestic factors such as strikes, extraordinary weather conditions, and higher tax burdens for consumers weighed on growth in some member states. Domestic demand and investment activity, on the other hand, remained supportive of growth. Despite the slower pace of economic growth, labour market conditions in the euro area continued to improve with employment having risen steadily throughout the year. Unemployment fell to the lowest level since 2008; however, it still varied substantially among the member states, with southern countries having significantly higher rates than those in the north. When looking at the bigger economies of the euro zone, Germany and Spain again outperformed France and Italy, and Italy's rising indebtedness led to a reduction of the country's credit ratings. The continued negotiations regarding the United Kingdom exiting the European Union did not significantly impact economic performance. The inflation rose slightly in the euro area, driven mainly by rising average energy prices. Despite higher wage growth, core inflation was rather muted throughout the year. The ECB maintained its expansionary monetary policy by keeping the base rate unchanged. In June 2018, the ECB announced to end its asset purchase programme by cutting its monthly asset purchases in half after September and phase them out entirely by the end of the year. Overall, similarly to the previous year, all euro zone member states saw growing economies in 2018 with an average real GDP growth of 1.8%[4].

The Austrian economy performed well with real GDP growth of 2.7%[5], the highest in seven years. With EUR 44,000 GDP per capita[6], Austria remained one of the most prosperous economies in the euro zone characterised by its well-educated workforce, stable institutional framework and strong international competitiveness. Economic growth was supported by all GDP components with domestic demand, particularly consumer spending, having been exceptionally strong. Growth in investment spending remained robust and exports to almost all important trade destinations accelerated significantly. In

[1] IMF: https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019 (Download on 20 February 2019)

[2] US Bureau of Labor Statistics: http://data.bls.gov/timeseries/LNS14000000 (Download am 26. Februar 2019)

[2] IMF: https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019 (Download on 20 February 2019)

[3] IMF: https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019 (Download on 20 February 2019)

[4] IMF: https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019 (Download on 20 February 2019)

[5] WIFO: https://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikationsid=61634&mime_type=application/pdf (Download on 20 February 2019)

[6] Statistik Austria: https://www.statistik.at/web_de/statistiken/wirtschaft/volkswirtschaftliche_gesamtrechnungen/index.htmll (Download on 21 February 2019), adjusted for economic growth and inflation for 2018

addition, the traditionally strong service and tourism sectors continued to perform well. Austria also benefitted from the strong economic performance of Central and Eastern Europe. The favourable economic performance led to a significant decline of the unemployment rate, which dropped below 5%[7] for the first time since 2012. Average consumer prices remained well under control with an increase of the inflation rate of 2.0%[8]. The favourable economic performance led to a further improvement of the general government deficit to 0.3%[9]. Public debt as a percentage of GDP decreased further to 74.2%[10] (2017: 78.3%).

The economies of Central and Eastern Europe continued their robust performance and again outperformed the euro zone. Within the CEE countries, Poland, Hungary and the Czech Republic performed particularly well, and the rising convergence was demonstrated by a significant wage inflation across the region. Although investments and exports also contributed to growth, household consumption remained the main economic driver following higher wages and growing employment levels. In addition, European Union fund absorption rates improved further. The automobile industry, which was one of the main contributors to exports, again supported the Czech, Slovak, Romanian and Hungarian economies. Unemployment rates in the region declined further. The Czech Republic and Hungary were among the countries showing the lowest unemployment rates in the European Union. Although average consumer prices increased in most CEE countries, inflation remained well under control. CEE currencies remained relatively stable against the euro throughout the year. Among the region's central banks, policies continued to diverge. While the Czech Republic and Romania increased their key rates several times, other central banks kept the base rates at historic low levels. In addition, public deficits in the region remained low. While the underlying convergence trend continues, there are significant differences between the countries in the region. Standard & Poor's, for instance, rates the Czech Republic's long-term credit worthiness at AA- and that of Serbia at BB. Overall, CEE economies grew in 2018.

PERFORMANCE IN 2018

In the consolidated management report P&L data of 2018 is compared with data of 2017, balance sheet data as of 31 December 2018 is compared to data as of 31 December 2017.

Acquisitions and disposals in Erste Group in 2018 did not have any significant impact and therefore had no effect on the rates of change stated below. Details are provided in the notes to the consolidated financial statements.

Overview

Net interest income increased – mainly in the Czech Republic and in Romania, but also in Austria – to EUR 4,582.0 million (EUR 4,353.2 million). **Net fee and commission income** rose to EUR 1,908.4 million (EUR 1,851.6 million), primarily on the back of significantly higher income from payment services and asset management Income from the securities business, from asset management and from brokerage was up substantially, while income from the lending business declined. 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 (EUR 6,669.0 million).

General administrative expenses were nearly stable at EUR 4,181.1 million (EUR 4,158.2 million). This was mostly attributable to the reduction of other administrative expenses to EUR 1,234.9 million (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 (EUR 2,388.6 million) and in depreciation and amortisation. Overall, the **operating result** improved to EUR 2,734.6 million (EUR 2,510.8 million). The **cost/income ratio** improved to 60.5% (62.4%).

Net impairment loss on financial assets 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 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 (see glossary for definition) improved again to 3.2% (4.0%). The **NPL cover ratio** (see glossary for definition) rose 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

[7] European Commission: https://ec.europa.eu/info/sites/info/files/economy-finance/2019_dbp_at_en.pdf, page 28, table 4 (Download on 21 February 2019)

[8] Statistik Austria: https://www.statistik.at/wcm/idc/idcplg?IdcService=GET_PDF_FILE&RevisionSelectionMethod=LatestReleased&dDocName=023344 (Download on 21 February 2019)

[9] European Commission: https://ec.europa.eu/info/sites/info/files/economy-finance/2019_dbp_at_en.pdf, page 29, table 6 (Download on 21 February 2019)

[10] European Commission: https://ec.europa.eu/info/sites/info/files/economy-finance/2019_dbp_at_en.pdf, page 28, table 4 (Download on 21 February 2019)

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 (EUR 351.5 million). The **net result attributable to owners of the parent** rose to EUR 1,793.4 million (EUR 1.316.2 million).

Cash earnings per share (see glossary for definition) amounted to EUR 4.04 (reported EPS: EUR 4.02) versus EUR 2.96 (reported EPS: 2.94) in the previous year.

Cash return on equity (see glossary for definition), i.e. return on equity adjusted for non-cash expenses such as goodwill impairment and straight-line amortisation of customer relationships, stood at 13.5% (reported ROE: 13.4%) versus 10.2% (reported ROE: 10.1%) in the previous year.

Total assets were up at EUR 236.8 billion (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 (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 (EUR 151.0 billion). The **loan-to-deposit ratio** stood at 91.8% (92.4%).

The **common equity tier 1 ratio** (CET1, CRR; see glossary for definition) remained stable at 13.5% (13.4%), the **total capital ratio** (CRR; see glossary for definition) at 18.2% (18.5%).

Dividend

A dividend distribution of EUR 1.40 per share will be proposed at the annual general meeting (2017: EUR 1.20 per share).

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 slowdown 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.

ANALYSIS OF PERFORMANCE

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

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).

Operating result

Operating income rose to EUR 6,915.6 million (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 (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 (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 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 guarantees given, -14 basis points (9 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).

Profit/loss for the year

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).

Tax situation

Pursuant to section 9 of the Austrian Corporate Tax Act ("KStG"), Erste Group Bank AG and its main domestic subsidiaries constitute a tax group. Due to the high proportion of tax-exempt income – particularly income from participating interests – and tax payments for the permanent establishments abroad, no Austrian corporate income tax was payable for the financial year 2018. The current tax loss carried forward increased in 2018.
Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes. The reported total income tax expense amounted to EUR 332.4 million (EUR 410.1 million).

Balance sheet development

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 (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.

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 (EUR 220.7 billion). **Total equity** increased to EUR 18.9 billion (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, CRR) rose to EUR 15.5 billion (EUR 14.7 billion). Total **own funds** (CRR) went up to EUR 20.9 billion (EUR 20.3 billion). Total risk **(risk-weighted assets)** including credit, market and operational risk, (CRR) increased to EUR 114.6 billion (EUR 110.0 billion).

Consolidated regulatory capital is calculated in accordance with CRR taking into consideration transitional provisions as defined in the Austrian CRR Supplementary Regulation and the Regulation (EU) 2016/445 of the European Central Bank on the exercise of options and discretions available in Union law. These transitional provisions define the percentages applicable to eligible capital instruments and regulatory deduction items as well as filters. The **total capital ratio** (CRR) 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** (CRR) stood at 14.4% (14.0%), the **common equity tier 1 ratio** (CRR) at 13.5% (13.4%).

EVENTS AFTER BALANCE SHEET DATE

There were no significant events after the balance sheet date.

RISK MANAGEMENT

With respect to the explanations on substantial financial and non-financial risks at Erste Group as well as the goals and methods of risk management, we would like to draw the reader's attention to the information in Notes 54, 55 and 60 to the consolidated financial statements.

RESEARCH AND DEVELOPMENT

Erste Group does not engage in any research activities pursuant to section 243 (3) no. 3 UGB, but in 2018 development costs in the amount of EUR 61 million (EUR 139 million) were capitalised in connection with software developed in-house. In order to drive improvements for retail customers and in the ongoing services, Erste Group launched the Innovation Hub. Its purpose is to initiate and coordinate across-the-board initiatives with a strong focus on customer experiences. As a multi-disciplinary team consisting of marketing, product and IT as well as design experts, the Innovation Hub is tasked with creating innovations and managing new programme initiatives.

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS

Additional disclosures pursuant to section 243a (1) UGB (Austrian Commercial Code)

With regard to the statutory disclosure requirements related to the composition of the capital as well as the class of shares, special reference is made to Note 46 in the consolidated financial statements.

As of 31 December 2017, together with its syndicate partners, DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung), a foundation, controlled approximately 29.99% of the shares in Erste Group Bank AG and with 16.21% the most important shareholder. The Privatstiftung holds 6.49% of the shares directly, the indirect participation of the Privatstiftung amounts to 9.72% of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the Privatstiftung. 0.78% is held directly by Austrian savings banks respectively saving banks foundations acting together with the Privatstiftung and affiliated with Erste Group Bank AG through the Haftungsverbund. 9.92% of the subscribed capital is controlled by the Privatstiftung on the basis of a shareholder agreement with Caixabank S.A. 3.08% are held by other partners to the shareholder agreement.

Furthermore, it should be noted that Erste Group Bank AG – just as nearly all Austrian savings banks – is a member of the Haftungsverbund of Sparkassengruppe. Sparkassengruppe sees itself as an association of independent, regionally established savings banks that strives to bolster its market position by strengthening common product development, harmonising its market presence and advertising concepts, pursuing a common risk policy, engaging in coordinated liquidity management and applying common controlling standards.

In addition, the purpose of this scheme is:

_ to identify any business issues of its member banks at an early stage and to provide effective assistance to its members in the resolution of business issues – this can range from offering technical assistance or giving guarantees to providing borrowed or qualifying capital and
_ to provide customers with a deposit guarantee system that goes beyond the legal deposit guarantee requirement (section 93 et seq. of the Austrian Banking Act (BWG)), which only guarantees certain types of customer deposits, by creating a suitable obligation to service the liabilities of other participating savings banks if the need arises.

Haftungsverbund GmbH is responsible for implementing such measures and analysing the business situation of every member bank of the Haftungsverbund. Overall, the participating savings banks hold a maximum stake of 49% (assuming all savings banks participate) in Haftungsverbund GmbH and Erste Group Bank AG always holds a minimum stake of 51%.

As required by the BWG, individual members of the Haftungsverbund may need to provide assistance to other members (by giving liquidity assistance, granting loans or guarantees and providing equity capital, for instance) and, in any other protection case (insolvency), to service the guaranteed customer deposits of a Haftungsverbund member. The scope of the individual services to be provided by individual Haftungsverbund members where needed is subject to an individual and general maximum limit. Any contributions made by Haftungsverbund members under the statutory deposit guarantee system pursuant to section 93 et seq. BWG are likewise counted. The corresponding amounts are determined by Haftungsgesellschaft and communicated to members liable for contributions.

In 2013, collaboration with savings banks was further strengthened by way of an additional agreement. The purpose of the agreement concluded in 2013 and effective as of 1 January 2014 is not only to broaden the regulatory options available to Erste Group Bank AG but also to ensure compliance with point 127 of Article 4 (1) CRR and Article 113 (7) CRR with a view to allowing recognition of minority interests at consolidated level in accordance with Article 84 (6) CRR. Savings banks that are party to the agreement concluded in 2013 also include Allgemeine Sparkasse Oberösterreich, which forms an institutional protection scheme as defined under Article 113 (7) CRR with the other members of the Haftungsverbund. Owing to the new legal and supervisory requirements, the maximum limits for support mechanisms of the individual members were raised and an ex ante fund was set up. Payments to the ex-ante fund are made on a quarterly basis over a period of 10 years. In the financial statements, the payments by the individual members are recognised as participations in IPS GesbR – which has been charged with managing the ex-ante fund. There was a shift in retained earnings from untied reserves to tied reserves. On the basis of the contractual provisions, these retained earnings represent a tied reserve. These tied retained earnings may be released only if the ex-ante fund is used due to a contingency. Internally, this reserve may therefore not be used to cover a loss and, at member level, it does not qualify as capital under the definition of CRR; on a consolidated level, however, the ex-ante fund qualifies as capital.

Additional disclosures pursuant to section 243a (1) UGB

All restrictions on voting rights or the transfer of shares, even if they are included in agreements between shareholders, insofar as they are known to the management board pursuant to section 243a (1) no. 2 UGB:

In shareholder agreements, the Privatstiftung agreed with its partners the following: Concerning the appointment of the members of the supervisory board, the partners are obliged to vote as required by the Privatstiftung. The partners can dispose of shares according to a predefined sale procedure and can purchase shares only within the quotas agreed with the Privatstiftung (of in total a maximum of 2% within 12 months); with this regulation an unwanted creeping-in according to the Takeover Act shall be prevented. In addition, the partners have committed themselves not to make a hostile takeover bid, nor to participate in a hostile takeover bid, nor to act together with a hostile bidder in any other way.

Under article 15.1 of the articles of association, for the duration of its assumption of liability for all current and future debts in the event of their default on payment, the Privatstiftung is entitled, pursuant to section 92 (9) of the Austrian Banking Act, to delegate up to one-third of the supervisory board members to be elected at the annual general meeting. Until now, the Privatstiftung has not exercised this right.

Article 15.4 of the Articles of Association concerning the appointment and dismissal of the supervisory board is not directly prescribed by statutory law: A three-quarters majority of valid votes cast and a three-quarters majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of supervisory board members.

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares. Article 19.9 of the Articles of Association concerning amendments to the Articles of Association contains a provision that is not prescribed directly by statutory law: Amendments to the Articles of Association, in so far as they do not alter the business purpose, may be passed by a simple majority of votes cast and a simple majority of the subscribed capital represented at the meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Article 19.9 require a three-quarters majority of the votes cast and a three-quarters majority of the subscribed capital represented at the meeting considering the proposal.

Additional disclosures pursuant to section 243a (1) no. 7 UGB

Pursuant to the following provisions, members of the management board have the right to repurchase shares, where such a right is not prescribed by statutory law.

As per resolution of the annual general meeting of 17 May 2017:

_ The management board is entitled to purchase up to 10% of the subscribed capital in treasury shares for trading purposes according to section 65 (1) no. 7 Austrian Stock Corporation Act (AktG). However, the trading portfolio of these shares must not exceed 5% of the subscribed capital at the end of any calendar day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed 20% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase. This authorisation is valid for a period of 30 months, i.e. until 16 November 2019.
_ the Management Board is entitled, pursuant to section 65 (1) no. 8 as well as (1a) and (1b) Stock Exchange Act and for a period of 30 months from the date of the resolution, i.e. until 16 November 2019, to acquire own shares of up to 10% of the subscribed capital, subject to approval by the Supervisory Board, with the option of making repeated use of the 10% limit, either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment. The authorisation may be exercised in whole or in part or in several instalments and in pursuit of one or several purposes. The market price per share must not be below EUR 2.00 or above EUR 120.00. Pursuant to section 65 (1b) in conjunction with sec. 171 Stock Corporation Act, the Management Board is authorised, from the date of the resolution, i.e. until 16 May 2022, on approval by the Supervisory Board, to sell or use the company's own shares, also by means other than the stock exchange or a public offering for any purpose allowed by the law, particularly as consideration for the acquisition and financing of the acquisition of companies, businesses, business divisions or shares in one or several businesses in Austria or abroad to the exclusion of the shareholders' proportional purchase option. The authorisation may be exercised in whole or in part or in several instalments and in pursuit of one or several purposes. The Management Board

is authorised to redeem own shares subject to the Supervisory Board's approval without requiring the Annual General Meeting to adopt any further resolution.

The management board is authorised until 24 May 2023 and with the approval of the Supervisory Board, to issue convertible bonds (including conditional compulsory convertible bonds according to section 26 Austrian Banking Act (BWG)), which grant subscription or conversion rights to the acquisition of company shares, while paying due consideration or excluding the subscription right of shareholders. The terms of issue can also set out a conversion obligation at the end of the term or at another point in time in addition or instead of subscription or conversion rights. The issue of convertible bonds may only take place to the extent that guarantees the fulfilment of agreed conversion or subscription rights and, in the case of a conversion obligation set out in the conditions of issue, the fulfilment of the corresponding conversion obligations from the conditional capital increase. The issue amount, conditions or issue and the exclusion of shareholders' subscription rights are to be determined by the Management Board with consent of the Supervisory Board.

Concerning the authorised and conditional capital we refer to the information given in Note 46 to the consolidated financial statements.

All sales and purchases were carried out as authorised at the annual general meeting.

Significant agreements pursuant to section 243 a (1) no. 8 UGB

The following paragraphs list important agreements to which the company is party and which become effective, are amended or are rendered ineffective when there is a change in the control of the company as a result of a takeover bid, as well as their effects:

Agreement in principle of the Haftungsverbund

The agreement in principle of the Haftungsverbund provides for the possibility of early cancellation for good cause. Good cause allowing the respective other contracting parties to cancel the agreement is deemed to exist if

- one contracting party harms grossly the duties resulting from present agreement
- the ownership structure of a party to the contract changes in such a way – particularly by transfer or capital increase – that one or more third parties from outside the savings banks sector directly and/or indirectly gain a majority of the equity capital or voting rights in the contracting party or
- one contracting party resigns from the savings banks sector irrespective of the reason.

The Haftungsverbund agreement in principle and supplementary agreement expire if and as soon as any entity that is not a member of the savings bank sector association acquires more than 25% of the voting power or equity capital of Erste Group Bank AG in any manner whatsoever and a member savings bank notifies the Haftungsverbund steering company and Erste Group Bank AG by registered letter within 12 weeks from the change of control that it intends to withdraw from the Haftungsverbund.

Directors and officers insurance

Changes in controlling interests

In the event that any of the following transactions or processes occur during the term of the insurance policy (each constituting a "change of control") in respect of the insured party:

- the insured party ceases to exist as a result of merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
- another company, person or group of companies or persons acting in concert who are not insured parties, acquire more than 50% of the insured party's outstanding equity or more than 50% of its voting power (giving rise to the right to control the voting power represented by the shares, and the right to appoint the management board members of the insured party), then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured party and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

In the event that a subsidiary ceases to be a subsidiary during the insurance period, the insurance cover under this policy remains in full force and effect for that entity for the remainder of the insurance period or (if applicable) until the end of the extended discovery period but only in respect of claims brought against an insured party in relation to unlawful acts committed or alleged to have been committed by the insured party during the existence of this entity as a subsidiary. No insurance cover is provided for claims brought against an insured party in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

Cooperation between Erste Group Bank AG and Vienna Insurance Group ("VIG")

With respect to banking and insurance products, Erste Group Bank and Vienna Insurance Group AG Wiener Versicherung Gruppe ("VIG") are contractual partners of a general sales agreement regarding the sales cooperation between Erste Group Bank AG and VIG in Austria and CEE. The contract, which was originally entered into in 2008 (between Erste Bank der österreichischen Sparkassen AG and Vienna Insurance Group der WIENER STÄDTISCHE Versicherung AG), was renewed and extended in 2018 until the end of 2033. The objective of the renewal and extension was the modification of the agreement to fit the company restructurings of the original parties, the change to several business parameters and the adaptation of the agreement to the legal framework. The parties already determined in the first agreement that each party had the right to terminate the agreement in the case of a takeover. Regarding Erste Group Bank, a takeover is deemed to occur if 50% plus one share of voting capital of Erste Group Bank AG is acquired by a third party (except DIE ERSTE oesterreichische Spar-Casse Privatstiftung or the Austrian savings banks). Regarding VIG, a takeover is deemed to occur if 50% plus one share of voting capital of VIG is acquired by a third party (except Wiener Städtische Wechselseitiger Versicherungsverein Vermögens-verwaltung - Vienna Insurance Group). Aside from this contract termination agreement, upon extension of this contract the parties agreed upon an additional termination for good cause if the continuation of the contract is no longer reasonable for one or both parties based upon new statutory or regulatory requirements.

Furthermore, Erste Group Bank AG and VIG are parties to an Asset Management Agreement, pursuant to which Erste Group Bank AG undertakes to manage certain parts of VIG's and its group companies' securities assets. In case of a change of control (as defined above), each party has a termination right. The Asset Management Agreement was extended until 2033 at the same time as the renewal of the aforementioned contract.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE GROUP FINANCIAL REPORTING PROCEDURES

Control environment

The management board is responsible for the establishment, structure and application of an appropriate internal control and risk management system that meets the company's needs in its group accounting procedures.

The management in each group unit is responsible for implementing group-wide instructions. Compliance with group rules is monitored as part of the audits performed by internal and local auditors.

Consolidated financial statements are prepared by the Group Consolidation department. The assignment of powers, the process description and the necessary control procedure are defined in the operating instructions.

Risks relating to the financial reporting procedures

The main risk in the financial reporting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case whenever the data provided in the financial statements and notes is essentially inconsistent with the correct figures, i.e. whenever, alone or in aggregate, they are apt to influence the decisions made by the users of financial statements. Such a decision may incur serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

Furthermore, especially estimates for the determination of the fair value of financial instruments for which no reliable market value is available, estimates for the accounting of risk provisions for loans and advances and for provisions, complex measurement requirements for accounting as well as a difficult business environment bear the risk of significant financial reporting errors.

Controls

Group Accounting and Group Performance Management are responsible for group reporting and report to Erste Group's CFO. Erste Group issues group policies used for preparation of consolidated financial statements in accordance with IFRS. A summary description of the accounting process is provided in Erste Group's IFRS Accounting Manual. All transactions have to be recorded, posted and accounted for in accordance with the accounting and measurement methods set out in this manual. The management of each subsidiary is responsible for the implementation of group policies.

The basic components of the internal control system (ICS) at Erste Group are:

- Controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between Accounting and Controlling) and control of the company and/or individual corporate divisions.
- Systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing.
- Principles of functional separation and checks performed by a second person (the four-eye principle).
- Internal Audit – as a separate organisational unit – is charged with monitoring all corporate divisions in an independent yet proximate manner, particularly with regard to the effectiveness of the components of the internal control system. The Internal Audit unit is monitored and/or checked by the management board, the audit committee/supervisory board, by external parties (bank supervisor, in individual cases also by an external auditor) as well as through audit's internal quality assurance measures (self-assessments, peer reviews).

Group Consolidation

The data provided by the group entities is checked for plausibility by the Group Consolidation department. The subsequent consolidation steps are then performed using the consolidation system (TAGETIK). These include consolidation of capital, expense and income consolidation, and debt consolidation. Lastly, possible intragroup gains are eliminated.

At the end of the consolidation process, the notes to the financial statements are prepared in accordance with IFRS, BWG and UGB.

The consolidated financial statements and the group management report are reviewed by the audit committee of the supervisory board and are also presented to the supervisory board for approval. They are published as part of the annual report, on Erste Group's website and in the Official Journal of Wiener Zeitung and finally filed with the Commercial Register.

Information and communication

Each year, the annual report shows the consolidated results in the form of a complete set of consolidated financial statements. In addition, the management summary provides verbal comments on the consolidated results in accordance with the statutory requirements.

Throughout the year, the group produces consolidated monthly reports for group management. Statutory interim reports are produced that conform to the provisions of IAS 34 and are also published quarterly in accordance with the Austrian Stock Corporation Act. Before publication, the consolidated financial statements are presented to senior managers and the Chief Financial Officer for final approval and then submitted to the supervisory board's audit committee.

Reporting is almost fully automated, based on source systems and automated interfaces, and guarantees up-to-date data for controlling, segment reporting and other analyses. Accounting information is derived from the same data source and is reconciled monthly for reporting purposes. Close collaboration between accounting and controlling permits continual target/actual comparisons for control and reconciliation purposes. Monthly and quarterly reports to the management board and the supervisory board ensure a regular flow of financial information and monitoring of the internal control system.

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk-oriented audit areas (according to the annual audit plan as approved by the management board and reported to the audit committee). The main focus of audit reviews is to monitor the completeness and functionality of the internal control system. Internal Audit has the duty of reporting its findings to the group's management board, supervisory board and audit committee several times within one year.
According to section 42 BWG, Internal Audit is a control body that is directly subordinate to the management board. Its sole purpose is to comprehensively verify the lawfulness, propriety and expediency of the banking business and banking operation on an on-going basis. The mandate of Internal Audit is therefore to support the management board in its efforts to secure the bank's assets and promote economic and operational performance and thus in the management board's pursuit of its business and operating policy. The activities of Internal Audit are governed in particular by the currently applicable Rules of Procedure, which were drawn up under the authority of all management board members and approved as well as implemented by them. The Rules of Procedure are reviewed on a regular basis and whenever required and adapted should the need arise.

Audit activities of Internal Audit

In its auditing activities, Internal Audit puts a special focus on:

- Operating and business areas of the bank;
- Operating and business processes of the bank;
- Internal bank standards (policies, guidelines, operating instructions), also with regard to their compliance and up-to-dateness;
- Audit areas stipulated by the law as they inter alia result from the rules of the Austrian Banking Act (BWG) and the Capital Requirements Regulation (CRR).

Internal Audit performs its responsibilities based on its own discretion and in compliance with the annual audit plan as approved by the management board. Once approved, the audit plan is also reported to the audit committee.

CORPORATE GOVERNANCE

The (consolidated) corporate governance report is part of the annual report of Erste Group (www.erstegroup.com/investor-relations).

(CONSOLIDATED) NON-FINANCIAL DECLARATION

Erste Group decided to prepare and publish a separate non-financial report – integrated in the annual report – in line with an option provided for in the Austrian Sustainability and Diversity Improvement Act (NaDiVeG).

Management board	
Andreas Treichl mp, Chairman	**Peter Bosek mp, Member**
Petr Brávek mp, Member	**Willibald Cernko mp, Member**
Gernot Mittendorfer mp, Member	**Jozef Síkela mp, Member**

Vienna, 28 February 2019

Group Consolidated Financial Statements 2018 (IFRS)

Consolidated statement of income

in EUR thousand	Notes	1-12 17	1-12 18
Net interest income	1	4,353,154	4,581,977
Interest income	1	5,624,422	5,174,274
Other similar income	1	x	1,772,606
Interest expenses	1	-1,271,268	-1,003,447
Other similar expenses	1	x	-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	x
Gains/losses from derecognition of financial assets measured at amortised cost	9	x	58
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	10	x	5,658
Net impairment loss on financial assets	11	-132,017	x
Impairment result from financial instruments	12	x	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**

Earnings per share

Earnings per share constitute net profit/loss for the year attributable to owners of the parent divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (through an increase in the average number of shares) that would occur if all subscription and conversion rights granted were exercised (also see Note 46 Total equity). As in the previous year no subscription and conversion rights were outstanding during the financial year. Diluted earnings per share were equal to the undiluted.

		1-12 17	1-12 18
Net result attributable to owners of the parent	in EUR thousand	1,316,218	1,793,446
Dividend on AT1 capital	in EUR thousand	-60,893	-76,856
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	1,255,325	1,716,590
Weighted average number of outstanding shares		426,679,572	426,696,221
Earnings per share	**in EUR**	**2.94**	**4.02**
Weighted average diluted number of outstanding shares		426,679,572	426,696,221
Diluted earnings per share	**in EUR**	**2.94**	**4.02**

Consolidated statement of comprehensive income

in EUR thousand	1-12 17	1-12 18
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 defined benefit plans	-7,387	-127,413
Fair value reserve of equity instruments	x	36,740
Own credit risk reserve	x	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	-184,575	x
Gains/losses during the period	-61,622	x
Reclassification adjustments	-122,953	x
Fair value reserve of debt instruments	x	-152,264
Gains/losses during the period	x	-152,484
Reclassification adjustments	x	3,508
Credit loss allowances	x	-3,288
Cash flow hedge reserve	-105,288	-2,890
Gains/losses during the period	-73,898	28,025
Reclassification adjustments	-31,390	-30,915
Currency reserve	237,620	-72,079
Gains/losses during the period	237,620	-72,079
Income tax relating to items that may be reclassified	67,273	35,479
Gains/losses 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**

For a detailed split of income tax items within other comprehensive income please refer to Note 14 Taxes on income.

Consolidated balance sheet

in EUR thousand	Notes	Dec 17	Dec 18
Assets			
Cash and cash balances	16	21,796,299	17,549,181
Financial assets held for trading	17,18	6,349,189	5,584,460
Derivatives	17	3,333,142	3,037,413
Other financial assets held for trading	18	3,016,047	2,547,047
Pledged as collateral	52	242,434	162,856
Financial assets at fair value through profit or loss	19	542,572	x
Non-trading financial assets at fair value through profit or loss	20	x	3,310,046
Pledged as collateral	52	x	37,237
Equity instruments	20	x	372,297
Debt securities	20	x	2,651,166
Loans and advances to customers	20	x	286,583
Financial assets available for sale	21	16,060,153	x
Pledged as collateral	52	756,537	x
Financial assets at fair value through other comprehensive income	22	x	9,271,881
Pledged as collateral	52	x	212,439
Equity instruments	22	x	238,876
Debt securities	22	x	9,033,005
Financial assets held to maturity	23	19,800,435	x
Pledged as collateral	52	1,568,387	x
Loans and receivables to credit institutions	25	9,125,673	x
Loans and receivables to customers	26	139,532,277	x
Financial assets at amortised cost	27	x	189,106,358
Pledged as collateral	52	x	959,617
Debt securities	27	x	26,050,153
Loans and advances to banks	27	x	19,102,754
Loans and advances to customers	27	x	143,953,451
Finance lease receivables	28	x	3,762,767
Hedge accounting derivatives	29	884,311	132,411
Property and equipment	36	2,386,767	2,292,792
Investment properties	36	1,111,561	1,159,330
Intangible assets	37	1,523,564	1,507,082
Investments in associates and joint ventures	33	198,373	198,093
Current tax assets	38	107,633	101,315
Deferred tax assets	38	257,933	402,190
Assets held for sale	39	213,897	213,127
Trade and other receivables	30	x	1,318,411
Other assets	40	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	17,41	3,422,793	2,508,250
Derivatives	17	2,933,667	2,000,173
Other financial liabilities held for trading	41	489,126	508,077
Financial liabilities at fair value through profit or loss	42	1,801,245	14,121,895
Deposits from customers	42	48,559	211,810
Debt securities issued	42	1,752,686	13,445,678
Other financial liabilities	42	0	464,407
Financial liabilities at amortised cost	43	191,711,402	196,862,845
Deposits from banks	43	16,349,382	17,657,544
Deposits from customers	43	150,920,715	162,426,423
Debt securities issued	43	23,342,123	16,292,610
Other financial liabilities		1,099,182	486,268
Finance lease liabilities		x	6
Hedge accounting derivatives	29	360,379	276,968
Fair value changes of hedged items in portfolio hedge of interest rate risk		666,117	48
Provisions	44	1,647,963	1,704,526
Current tax liabilities	38	101,079	99,234
Deferred tax liabilities	38	61,454	22,886
Liabilities associated with assets held for sale	39	2,752	3,310
Other liabilities	45	2,595,932	2,323,146
Total equity	**46**	**18,288,316**	**18,868,719**
Equity attributable to non-controlling interests	46	4,416,402	4,494,030
Additional equity instruments	46	993,275	993,242
Equity attributable to owners of the parent	46	12,878,639	13,381,447
Subscribed capital	46	859,600	859,600
Additional paid-in capital	46	1,476,689	1,476,689
Retained earnings and other reserves	46	10,542,350	11,045,159
Total liabilities and equity		**220,659,433**	**236,791,833**

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remea-surement of defined benefit plans	Income tax	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2018	**860**	**1,477**	**10,918**	**4**	**545**	**0**	**0**	**-503**	**-364**	**-57**	**12,879**	**993**	**4,416**	**18,288**
Changes due to initial application of IFRS 9	0	0	254	0	-545	418	-734	0	0	55	-551	0	-122	-673
Restated as of 1 January 2018	860	1,477	11,172	4	0	418	-734	-503	-364	-2	12,328	993	4,294	17,615
Changes in treasury shares	0	0	-20	0	x	0	0	0	0	0	-20	0	0	-20
Dividends paid	0	0	-568	0	x	0	0	0	0	0	-568	0	-44	-612
Capital increases	0	0	0	0	x	0	0	0	0	0	0	0	11	11
Changes in scope of consolidation and ownership interest	0	0	-134	0	x	0	0	0	0	0	-134	0	-93	-226
Reclassification from OCI to retained earnings	0	0	32	0	x	-42	11	0	0	0	0	0	0	0
Other changes	0	0	6	0	x	0	0	0	0	0	6	0	3	9
Total comprehensive income	0	0	1,793	-7	x	-147	288	-95	-64	2	1,770	0	323	2,093
Net result for the period	0	0	1,793	0	x	0	0	0	0	0	1,793	0	369	2,163
Other comprehensive income	0	0	0	-7	x	-147	288	-95	-64	2	-23	0	-46	-70
Changes in presentation of income tax	0	0	0	-6	x	-89	59	0	34	2	0	0	0	0
Change from remeasurement of defined benefit plans	0	0	0	0	x	0	0	0	-97	0	-97	0	-40	-138
Change in fair value reserve	0	0	0	0	x	-59	0	0	0	0	-59	0	-30	-89
Change in cash flow hedge reserve	0	0	0	0	x	0	0	0	0	0	0	0	0	0
Change in currency reserve	0	0	0	0	x	0	0	-95	0	0	-95	0	23	-72
Change in own credit risk reserve	0	0	0	0	x	0	229	0	0	0	229	0	1	230
As of 31 December 2018	**860**	**1,477**	**12,280**	**-3**	**0**	**229**	**-435**	**-598**	**-428**	**0**	**13,381**	**993**	**4,494**	**18,869**

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Available for sale reserve	Currency reserve	Remeasure–ment of of defined pension plans	Income tax	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2017	**860**	**1,478**	**10,090**	**107**	**632**	**-734**	**-357**	**-112**	**11,963**	**497**	**4,142**	**16,602**
Changes in treasury shares	0	0	-20	0	0	0	0	0	-20	0	0	-20
Dividends paid	0	0	-470	0	0	0	0	0	-470	0	-29	-499
Capital increase	0	0	0	0	0	0	0	0	0	497	-1	496
Participation capital	0	0	0	0	0	0	0	0	0	0	0	0
Changes in the scope of consolidation	0	0	0	0	0	0	0	0	0	0	31	31
Other changes	0	-1	3	0	0	0	0	0	2	0	0	2
Acquisition of non-controlling interest	0	0	-1	0	0	0	0	0	-1	0	-4	-5
Total comprehensive income	0	0	1,316	-103	-87	231	-7	55	1,405	0	277	1,682
Net result for the period	0	0	1,316	0	0	0	0	0	1,316	0	352	1,668
Other comprehensive income	0	0	0	-103	-87	231	-7	55	89	0	-74	14
Change in cash flow hedge reserve	0	0	0	-103	0	0	0	0	-103	0	-2	-105
Change in available for sale reserve	0	0	0	0	-87	0	0	0	-87	0	-98	-185
Change in currency reserve	0	0	0	0	0	231	0	0	231	0	6	238
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	-7	0	-7	0	0	-7
Change in income tax	0	0	0	0	0	0	0	55	55	0	19	74
As of 31 December 2017	**860**	**1,477**	**10,918**	**4**	**545**	**-503**	**-364**	**-57**	**12,879**	**993**	**4,416**	**18,288**

In the column 'Additional equity instruments', Erste Group reports additional tier 1 bonds issued in June 2016 and April 2017, each with a nominal value of EUR 500 million. After deduction of costs directly attributable to each capital increase (EUR 3 million per issue), the net increase in capital amounted to EUR 497 million respectively. Additional tier 1 bonds are unsecured and subordinated bonds which are classified as equity under IFRS. For further details, see Note 46 Total equity.

In the line 'Changes in scope of consolidation and ownership interest' the purchase of non-controlling interests in Banca Comercială Română SA and Česká spořitelna a.s. is disclosed. The consideration for the acquisition of 6.30% of the shares in Banca Comercială Română SA amounted to EUR 140 million, the purchase price for 1.03% of the shares in Česká spořitelna a.s. was EUR 81 million.

From 1 January 2018 components of other comprehensive income are disclosed net of income tax. The corresponding allocation of the restated opening balance of income tax in other comprehensive income is disclosed in the line 'Changes in presentation of income taxes'. In addition, in the course of harmonization of terms column 'Deferred taxes' was renamed to 'Income taxes' without changing the content of this column.

Consolidated statement of cash flows

in EUR million	Notes	1-12 17	1-12 18
Net result for the period		**1,668**	**2,163**
Non-cash adjustments for items in net profit/loss for the year			
Depreciation, amortisation and net impairment of non-financial assets	36, 37	558	571
Net allocation of credit loss allowances and other provisions	13	414	63
Gains/losses from measurement and derecognition of financial assets and financial liabilities	9, 10, 11	-421	161
Other adjustments		-173	-138
Changes in assets and liabilities from operating activities after adjustment for non-cash components			
Financial assets held for trading	17, 18	1,572	1,468
Financial assets at fair value through profit or loss	19	-53	x
Non-trading financial assets at fair value through profit or loss	20		
Equity instruments	20	x	-99
Debt securities	20	x	-95
Loans and advances to customers	20	x	185
Financial assets - available for sale: debt securities	21	3,586	x
Financial assets at fair value through other comprehensive income: debt securities	22	x	939
Financial assets held to maturity	23	-528	x
Loans and receivables to credit institutions	25	-5,661	x
Loans and receivables to customers	26	-9,166	x
Financial assets at amortised cost	27		
Debt securities	27	x	-2,956
Loans and advances to banks	27	x	-10,103
Loans and advances to customers	27	x	-9,559
Finance lease receivables	28	x	-245
Hedge accounting derivatives	29	437	-11
Other assets from operating activities	30, 40	323	-562
Financial liabilities held for trading	17, 41	-1,072	-997
Financial liabilities at fair value through profit or loss	42	16	-300
Financial liabilities measured at amortised cost	43		
Deposits from banks	43	1,718	1,455
Deposits from customers	43	12,982	11,466
Debt securities issued	43	-2,159	3,966
Other financial liabilities		263	-85
Hedge accounting derivatives	29	-112	-25
Other liabilities from operating activities	45	-711	-169
Cash flow from operating activities		**3,479**	**-2,907**
Proceeds of disposal			
Financial assets available for sale: equity instruments	21	273	x
Financial assets at fair value through other comprehensive income: equity instruments	22	x	50
Investments in associates and joint ventures	33	11	17
Property and equipment and intangible assets	36, 37	105	52
Investment properties	36	6	10
Acquisition of			
Financial assets at fair value through other comprehensive income: equity instruments	22	x	0
Property and equipment and intangible assets	36, 37	-636	-541
Investment properties	36	-112	-78
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		0	0
Disposal of subsidiaries		0	0
Cash flow from investing activities		**-354**	**-490**
Capital increase	46	496	11
Acquisition of non-controlling interest	46	-1	-226
Dividends paid to equity holders of the parent	46	-470	-568
Dividends paid to non-controlling interests	46	-29	-44
Cash flow from financing activities		**-4**	**-828**

in EUR million	Notes	1-12 17	1-12 18
Cash and cash equivalents at the beginning of the period	**16**	**18,353**	**21,796**
Cash flow from operating activities		3,479	-2,907
Cash flow from investing activities		-354	-490
Cash flow from financing activities		-4	-828
Effect of currency translation		323	-21
Cash and cash equivalents at the end of period	**16**	**21,796**	**17,549**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)		**3,885**	**3,768**
Payments for taxes on income	14	-407	-457
Interest received	1	5,792	7,044
Dividends received	3	44	29
Interest paid	1	-1,543	-2,848

Cash and cash equivalents are equal to cash in hand, cash balances at central banks and other demand deposits.

Notes to the group financial statements of Erste Group

A. GENERAL INFORMATION

Erste Group Bank AG is Austria's oldest savings bank and listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange and on the Bucharest Stock Exchange. The registered office of Erste Group Bank AG is located at Am Belvedere 1, 1100 Vienna, Austria.

The group of Erste Group Bank AG (hereinafter referred to as 'Erste Group') offers a complete range of banking and other financial services, such as savings accounts, asset management (including investment funds), consumer credit and mortgage lending, investment banking, securities and derivatives trading, portfolio management, project finance, foreign trade financing, corporate finance, capital market and money market services, foreign exchange trading, leasing and factoring.

These consolidated financial statements have been prepared and authorised for issue by the management board as at the signing date of this report. Both, the supervisory board (28 March 2019) and the annual general meeting (15 May 2019) may amend the individual financial statements of Erste Group Bank AG, which in turn may have an impact on these consolidated financial statements.

Erste Group is subject to the regulatory requirements of Austrian and European supervisory bodies (National Bank, Financial Market Authority, Single Supervisory Mechanism). These regulations include those pertaining to minimum capital adequacy requirements, categorisation of exposures and off-balance sheet commitments, credit risk connected with clients of the Group, market risk (including interest rate and foreign exchange risk), and operational risk.

In addition to the banking entities, some Group companies are subject to regulatory requirements, specifically in relation to asset management.

B. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The consolidated financial statements of Erste Group for the financial year ending on 31 December 2018 and the related comparative information were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. The requirements of Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code are fulfilled.

In accordance with the applicable measurement models prescribed or permitted under IFRS, the consolidated financial statements have been prepared on a cost (or amortised cost) basis, except for financial assets measured at fair value through other comprehensive income, financial assets and liabilities measured at fair value through profit or loss and financial instruments subject to hedge accounting.

The consolidated financial statements have been prepared on a going concern basis.

Except for regulatory restrictions on capital distributions stemming from the EU-wide capital requirements regulations applicable to all credit institutions based in the EU, Erste Group does not have any other significant restrictions on its ability to access or use the assets and settle the liabilities of the Group. Also, the owners of non-controlling interests in Group subsidiaries do not have rights that can restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

Except as otherwise indicated, all amounts are stated in millions of euro. The tables in this report may contain rounding differences. The abbreviations used in the consolidated financial statements of Erste Group are explained in the appendix 'Abbreviations' at the end of this report.

The consolidated financial statements have not been accepted by the supervisory board and the financial statements of Erste Group Bank AG have not been approved by the supervisory board yet.

b) Basis of consolidation

Subsidiaries

All entities directly or indirectly controlled by Erste Group Bank AG are consolidated in the Group financial statements on the basis of their annual accounts as of 31 December 2018, and for the year then ended.

Subsidiaries are consolidated from the date when control is obtained until the date when control is lost. Control is achieved when Erste Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the relevant activities of the investee. Relevant activities are those which most significantly affect the variable returns of an entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income and consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. The financial statements of the bank's subsidiaries are prepared for the same reporting year as that of Erste Group Bank AG and using consistent accounting policies. All intra-Group balances, transactions, income and expenses as well as unrealised gains and losses and dividends are eliminated.

Non-controlling interests represent those portions of total comprehensive income and net assets that are not attributable directly or indirectly to the owners of Erste Group Bank AG. Non-controlling interests are presented separately in the consolidated statement of income, in the consolidated statement of comprehensive income and within equity on the consolidated balance sheet. Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised as equity.

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an interest in an associate or joint venture is recognised on the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's or joint venture's result is recognised in the consolidated statement of income and comprehensive income. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2018 and for the year then ended.

Associates are entities over which Erste Group exercises significant influence ('associates'). Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. As a general rule, significant influence is presumed to mean an ownership interest of between 20% and 50%.

Joint ventures are joint arrangements over which Erste Group exercises control jointly with one or more other venturers, with the venturers having rights to the net assets of the arrangement, rather than to the assets and liabilities relating to the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Erste Group is not involved in joint arrangements which take form of joint operations.

Scope of consolidation

As at 31 December 2018, Erste Group Bank AG, as parent entity of Erste Group, includes in its IFRS scope of consolidation a total of 399 subsidiaries (31 December 2017: 421). This includes a total of 47 local savings banks which, alongside Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG, are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector (please refer to 'd) Significant accounting judgements, assumptions and estimates' for further details).

In 2014, following the implementation of the new agreements of the cross-guarantee system (please refer to chapter 'd) Significant accounting judgements, assumptions and estimates') and the related financial support of the members, an 'ex-ante fund' was established. The fund is managed by a civil law company named IPS GesbR. The assets of the fund – the members of the cross-guarantee system are required to pay into the fund over a period of ten years - are bound and can be used solely for the purpose to cover loss events of members of the cross-guarantee system. The company IPS GesbR was included in the scope of consolidation in year 2014.

For further details regarding the scope of consolidation please refer to Note 65 Details of the companies wholly or partly owned by Erste Group as of 31 December 2018.

Additions in 2018. The additions had no material impact on the financial position and performance of the Group.

Disposals in 2018. The disposals had no material impact on the financial position and performance of the Group.

c) Accounting and measurement methods

IFRS 9 Financial Instruments

As of 1 January 2018, Erste Group has adopted IFRS 9 'Financial Instruments' as issued by the IASB in July 2014 and endorsed by the EU in 2016. This resulted in changes in accounting policies for classification and measurement of financial assets and financial liabilities, as well as for impairment of financial assets. IFRS 9 also significantly amends IFRS 7 'Financial Instruments: Disclosures' due to which disclosures of information on financial instruments have been adapted to the new requirements.

As permitted by the transitional provisions of IFRS 9, Erste Group elected not to restate comparative amounts for the previous financial year 2017. As a result, the comparative period columns in the 2018 financial statements reflect the structure used in 2017 financial statements. Also, the comparative period disclosures in the notes are based on the original classification and measurement requirements of

IAS 39 (as superseded by IFRS 9) and IFRS 7 (before the consequential amendments resulting from IFRS 9). Due to this fact, accounting policies relevant for financial instruments in accordance with IAS 39 are also disclosed. As allowed by IFRS 9, Erste Group has elected to continue applying hedge accounting requirements of IAS 39.

The financial impact of IFRS 9 adoption is detailed below.

i. Classification and measurement of financial instruments

The table below presents changes between measurement categories and carrying amounts of financial assets and financial liabilities under IAS 39 and IFRS 9 as at 1 January 2018. To illustrate the transition impact, the effects are disclosed in respect of original balance sheet positions reflecting IAS 39 requirements.

		Original classification under IAS 39				
in EUR million	Com-ments	Portfolio	Measurement method	New classification under IFRS 9	Original carrying amount, IAS 39	New carrying amount, IFRS 9
Financial assets						
Cash and cash balances		Loans and receivables	AC	Amortised cost	21,796	21,795
Derivatives	a	Held-for-trading	FVPL	Held-for-trading (FVPL)	3,307	3,307
Other trading assets		Held-for-trading	FVPL	Held-for-trading (FVPL)	3,016	3,016
Derivatives - hedge accounting	b	Hedge accounting	FV	Hedge accounting	128	128
				Held-for-trading (FVPL)	756	756
Loans and receivables to credit institutions	c,d	Loans and receivables	AC	Amortised cost	9,108	9,127
				Designated at FVPL	17	17
Loans and receivables to customers	e	Loans and receivables	AC	Amortised cost	135,562	135,439
				Mandatorily at FVPL	459	480
		Loans and receivables	Finance Lease	Finance Lease	3,512	3,513
Financial assets - available for sale (Debt securities)	f	AFS	FVOCI	Amortised cost	4,119	3,875
				Mandatorily at FVPL	2,004	2,004
				FVOCI	9,418	9,418
Financial assets - available for sale (Equity instruments)	f	AFS	FVOCI	FVPL	264	264
				FVOCI	255	255
Financial assets - held to maturity		Held-to-maturity	AC	Amortised cost	19,090	19,087
				Mandatorily at FVPL	27	28
				Designated at FVPL	17	17
				FVOCI	667	684
Financial assets - at fair value through profit or loss		FV option	FVPL	Amortised cost	3	3
				Mandatorily at FVPL	138	138
				Designated at FVPL	387	387
				FVOCI	14	14
Total financial assets					**214,065**	**213,755**
Financial liabilities						
Derivatives	g	Held-for-trading	FVPL	Held-for-trading (FVPL)	2,663	2,663
Other trading liabilities		Held-for-trading	FVPL	Held-for-trading (FVPL)	489	489
Derivatives - hedge accounting	b	Hedge accounting	FV	Hedge accounting	302	302
				Held-for-trading (FVPL)	58	58
Financial liabilities measured at amortised cost	h,i	Amortised cost	AC	Amortised cost	180,060	180,060
				Designated at FVPL	12,589	13,031
Financial liabilities - at fair value through profit or loss (Debt securities issued)		FV option	FVPL	Designated at FVPL	1,753	1,753
Financial liabilities - at fair value through profit or loss (Deposits from customers)		FV option	FVPL	Designated at FVPL	49	49
Total financial liabilities					**197,963**	**198,405**

(a) The column 'Original carrying amount under IAS 39' excludes embedded derivatives with a carrying amount of EUR 26 million that were part of 'Derivatives – held for trading' as at 31 December 2017 under IAS 39 and included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9.

(b) The line 'Held-for-trading (FVPL)' relates to derivatives that were de-designated as hedging instruments as of 1 January 2018 and became part of 'Derivatives – held for trading'.

(c) The amount in the line 'Amortised cost' includes debt securities with a carrying amount of EUR 83 million under IAS 39 and of EUR 84 million under IFRS 9.

(d) The entire amount in the line 'Designated at FVPL' relates to debt securities.

(e) The amount in the line 'Amortised cost' includes debt securities with a carrying amount of EUR 46 million under IAS 39 and of EUR 44 million under IFRS 9.

(f) The original carrying amount under IAS 39 is adjusted by EUR 645 million in respect of debt securities and equity securities compared to the 2017 financial statements due to a reclassification between debt and equity instruments related to investments in funds and certain hybrid instruments. More details can be found in the comment (f) to table 'ii. Reconciliation of carrying amounts of financial assets based on measurement categories'.

(g) The original carrying amount under IAS 39 excludes embedded derivatives with a carrying amount of EUR 270 million that were part of 'Derivatives – held for trading' as at 31 December 2017 under IAS 39 and included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9.

(h) The original carrying amount under IAS 39 in the line 'Amortised cost' that captures financial liabilities that continue to be measured at amortised cost contains:

_ deposits from customers with a carrying amount of EUR 150,788 million;
_ deposits from banks with a carrying amount of EUR 16,374 million. This amount includes EUR 24 million related to portfolio fair value hedges (presented in the separate line item 'Changes in fair value of portfolio hedged items' under IAS 39) transferred against the carrying amount of the financial liabilities when the portfolio fair value hedges were de-designated and single fair value hedges were newly designated as of 1 January 2018;
_ debt securities issued with a carrying amount of EUR 12,333 million. This amount includes EUR 133 million related to portfolio fair value hedges (presented in the separate line item 'Changes in fair value of portfolio hedged items' under IAS 39) transferred against the carrying amount of the financial liabilities when portfolio fair value hedges were de-designated and single fair value hedges were newly designated as of 1 January 2018; and
_ Other financial liabilities with a carrying amount of EUR 565 million.

(i) The original carrying amount under IAS 39 in the line 'Designated at FVPL' that captures financial liabilities that were designated at FVPL as of 1 January 2018 under IFRS 9 consists of following items:

_ debt securities issued with a carrying amount of EUR 11,143 million;
_ deposits from customers with a carrying amount of EUR 133 million;
_ other financial liabilities that relate to fund units issued by funds consolidated by Erste Group with a carrying amount of EUR 534 million;
_ embedded derivatives liabilities with a carrying amount of EUR 270 million that were separated under IAS 39 and included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9;
_ embedded derivatives assets with a carrying amount of EUR 26 million (decreasing the carrying amount of liabilities) that were separated under IAS 39 and included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9;
_ the amount of EUR 509 million related to portfolio fair value hedges (presented in the separate line item 'Changes in fair value of portfolio hedged items' under IAS 39) included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9; and
_ other liabilities with a carrying amount of EUR 27 million that due to their economic relation to the underlying bonds were transferred to debt securities issued designated at fair value through profit or loss.

ii. Reconciliation of carrying amounts of financial assets based on measurement categories

in EUR million	Comments	IAS 39 carrying amount 31 Dec 17	Reclassifications	Remeasurement	IFRS 9 carrying amount 1 Jan 18	Retained earnings effects	OCI effects
Amortised cost	a	**186,743**	**0**	**0**	**186,743**	**0**	**0**
Additions:							
from IAS 39 FVOCI (AFS) – debt securities	b	0	4,119	-244	3,875	-2	-242
from IAS 39 FVPL (FVO) – debt securities		0	3	0	3	0	0
from IAS 39 AC (L&R, HTM) (impairment remeasurement)		0	0	-107	-107	-107	0
Subtractions:							
to IFRS 9 FVOCI (IAS 39: HTM) – debt securities	c	0	-666	0	-666	0	0
to IFRS 9 Designated at FVPL (IAS 39: L&R) – debt securities		0	-17	0	-17	0	0
to IFRS 9 Designated at FVPL (IAS 39: HTM) – debt securities		0	-17	0	-17	0	0
to IFRS 9 Mandatorily at FVPL (IAS 39: L&R) – loans and advances to customers	d	0	-459	0	-459	0	0
to IFRS 9 Mandatorily at FVPL (IAS 39: HTM) – debt securities		0	-27	0	-27	0	0
Total change		**0**	**2,936**	**-351**	**2,585**	**-109**	**-242**
Total - amortised cost	e	**186,743**	**2,936**	**-351**	**189,328**	**-109**	**-242**

in EUR million	Com-ments	IAS 39 carrying amount 31 Dec 17	Reclassi-fications	Remeas-urement	IFRS 9 carrying amount 1 Jan 18	Retained earnings effects	OCI effects
Fair value through other comprehensive income		**16,060**	**0**	**0**	**16,060**	**0**	**0**
Fair value through other comprehensive income – debt securities	f	**15,541**	**0**	**0**	**15,541**	**0**	**0**
Additions:							
from IAS 39 AC (HTM)	c	0	666	17	684	0	17
from IAS 39 FVPL (FVO)		0	14	0	14	1	-1
from IAS 39 AFS (impairment remeasurement)		0	0	0	0	-11	11
Subtractions:							
to IFRS 9 AC (IAS 39: AFS)	b	0	-4,119	0	-4,119	0	0
to IFRS 9 Mandatorily at FVPL (IAS 39: AFS)	g	0	-2,004	0	-2,004	0	0
Subtotal change – debt securities at FVOCI		**0**	**-5,443**	**17**	**-5,426**	**-10**	**27**
Subtotal – debt securities at FVOCI		**15,541**	**-5,443**	**17**	**10,116**	**-10**	**27**
Fair value through other comprehensive income – equity instruments	f	**519**	**0**	**0**	**519**	**0**	**0**
Subtractions:							
to IFRS 9 FVPL (IAS 39: AFS)	h	0	-264	0	-264	0	0
Subtotal change – equity instruments at FVOCI		**0**	**-264**	**0**	**-264**	**0**	**0**
Subtotal – equity instruments at FVOCI		**519**	**-264**	**0**	**255**	**0**	**0**
Total change		**0**	**-5,707**	**17**	**-5,690**	**-10**	**27**
Total – fair value through other comprehensive income		**16,060**	**-5,707**	**17**	**10,370**	**-10**	**27**
Fair value through profit or loss	i	**6,866**	**0**	**0**	**6,866**	**0**	**0**
Additions:							
from IAS 39 AC (L&R) (IFRS 9: Designated at FVPL) – debt securities		0	17	0	17	0	0
from IAS 39 AC (L&R) (IFRS 9: Mandatorily at FVPL) – loans and advances to customers	d	0	459	21	480	21	0
from IAS 39 AC (HTM) (IFRS 9: Designated at FVPL) – debt securities		0	17	1	17	1	0
from IAS 39 AC (HTM) (IFRS 9: Mandatorily at FVPL) – debt securities		0	27	1	28	1	0
from IAS 39 FVOCI (AFS) (IFRS 9: Mandatorily at FVPL) – debt securities	g	0	2,004	0	2,004	99	-99
from IAS 39 FVOCI (AFS) – equity instruments	h	0	264	0	264	63	-63
from hedge accounting derivatives		0	756	0	756	0	0
Subtractions:							
to IFRS 9 AC (IAS 39: FVO) – debt securities		0	-3	0	-3	0	0
to IFRS 9 FVOCI (IAS 39: FVO) – debt securities		0	-14	0	-14	0	0
Total change		**0**	**3,528**	**22**	**3,550**	**185**	**-162**
Total – fair value through profit or loss	j	**6,866**	**3,528**	**22**	**10,416**	**185**	**-162**
Total – financial assets	k	**209,669**	**756**	**-311**	**210,114**	**66**	**-377**

Note: ‚Remeasurement' includes effects of both revaluation and impairment changes.

(a) The amount includes IAS 39 balance sheet line items with following carrying amounts in EUR million:
- cash and cash balances: 21,796;
- loans and receivables to credit institutions: 9,126;
- loans and receivables to customers: 136,021 (excluding finance lease receivables); and
- financial assets – held to maturity: 19,800.

(b) Debt securities that were classified as available for sale and measured at FVOCI under IAS 39 and that are part of the portfolios connected to asset and liability management activities were reclassified to the amortised cost measurement category under IFRS 9 due to the business model of holding the assets to collect contractual cash flows.

(c) Debt securities previously classified as held to maturity and measured at amortised cost under IAS 39 were reclassified to the FVOCI measurement category under IFRS 9 due to the application of the business model whose objective is achieved by both holding the assets to collect the contractual cash flows and selling the assets.

(d) The reclassification relates largely to loans to customers that do not have contractual cash flows that are solely payments of principal and interest (SPPI) and thus have to be measured at FVPL. The most significant cases are loans having interest mismatch features that do not pass the quantitative testing required by IFRS 9 (see description in the part 'SPPI assessment' of chapter 'Significant accounting judgements, assumptions and estimates') and loans having a leverage element in the contractual interest rate.

(e) The IFRS 9 carrying amount as at 1 January 2018 includes IFRS 9 balance sheet line items with following carrying amounts in EUR million:
- cash and cash balances 21,795;
- financial assets at amortised cost:
  - debt securities: 23,094;
  - loans and advance to banks: 9,043;
  - loans and advances to customers: 134,454; and
  - trade and other receivables: 942.

(f) The carrying amount of debt securities at FVOCI (AFS) under IAS 39 compared to the amount presented in the 2017 financial statements, is increased by:
_ Investments in funds with a carrying amount of EUR 599 million that until 2017 were treated as equity instruments in the financial statements. Emphasis was put on their economic substance of being equity security-like. From 2018, Erste Group has started to classify them as debt instruments. Preference is put on the puttable feature due to which they meet the definition of a liability in accordance with IAS 32. Thus, they are debt instruments both from the issuer and the investor perspective. In the transition disclosures they are treated as debt instruments also in respect of the IAS 39 carrying amount.
_ Certain investments in hybrid instruments with a carrying amount of EUR 46 million that were classified as equity instruments under IAS 39. Their classification as debt vs equity instruments was analysed upon the transition to IFRS 9 with a conclusion that they are debt instruments. In the transition disclosures they are treated as debt instruments also in respect of the IAS 39 carrying amount.

As a result, the reclassification between the debt and equity instruments also impacted the carrying amount of equity instruments at FVOCI (AFS) under IAS 39 which, compared to the amount presented in the 2017 financial statements, is decreased by the above amounts in the transition disclosures.

(g) The cases of reclassifications of debt securities from the available for sale category measured at FVOCI under IAS 39 to the mandatorily at FVPL category under IFRS 9 were:
_ financial assets held by investment funds consolidated by Erste Group with a carrying amount of EUR 1,007 million reclassified due to being managed and evaluated on a fair value basis;
_ investments in funds that are not consolidated by Erste Group with a carrying amount of EUR 599 million reclassified due to the assets having contractual cash flows that are not SPPI;
_ debt securities with a carrying amount of EUR 235 million reclassified due to the assets having contractual cash flows that are not SPPI; and
_ investments in securitisations with a carrying amount of EUR 162 million reclassified due to expectations that their value will be primarily realised through sales.

(h) The reclassification from the available for sale category under IAS 39 to the fair value through profit or loss category under IFRS 9 relates to those investments in equity instruments that are not held for trading and that were not designated as measured at FVOCI upon the transition to IFRS 9.

(i) The amount includes IAS 39 balance sheet line items with following carrying amounts in EUR million:
_ derivatives – held for trading: 3,307.
This amount excludes embedded derivatives with a carrying amount of EUR 26 million that were separated under IAS 39 and that were included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9;
_ other trading assets: 3,016; and
_ financial assets - at fair value through profit or loss: 543.

(j) The IFRS 9 carrying amount as at 1 January 2018 includes IFRS 9 balance sheet line items with following carrying amounts in EUR million:
_ derivatives – held for trading: 4,064;
_ other trading assets: 3,016;
_ non-trading financial assets at FVPL:
  _ equity instruments: 264;
  _ debt securities mandatorily at FVPL: 2,170;
  _ debt securities designated at FVPL: 422; and
  _ loans and advances to customers mandatorily at FVPL: 480.

(k) The total in the reclassification column amounts to EUR 756 million and equals the carrying amount of hedge accounting derivatives which were dedesignated as of 1 January 2018 and became derivatives – held for trading. As hedge accounting derivatives did not constitute an official IAS 39 measurement category their subtractions are not captured in the table and they only appear as additions under the fair value through profit or loss category.

iii. Reconciliation of carrying amounts of financial liabilities based on measurement categories

in EUR million	Comments	IAS 39 carrying amount 31 Dec 17	Reclassifications	Remeasurement	IFRS 9 carrying amount 1 Jan 18	Retained earnings effects	OCI effects
Amortised cost	a	**192,649**	**0**	**0**	**192,649**	**0**	**0**
Subtractions:							
to IFRS 9 FVO (IAS 39: AC)	b	0	-12,589	0	-12,589	0	0
Total change		**0**	**-12,589**	**0**	**-12,589**	**0**	**0**
Total – amortised cost	c	**192,649**	**-12,589**	**0**	**180,060**	**0**	**0**

in EUR million	Com-ments	IAS 39 carrying amount 31 Dec 17	Reclassi-fications	Remeas-urement	IFRS 9 carrying amount 1 Jan 18	Retained earnings effects	OCI effects
Fair value through profit or loss	d	**4,953**	**0**	**0**	**4,953**	**0**	**0**
Additions:							
from IAS 39 AC	b	0	12,589	442	13,031	161	-603
from IAS 39 FVO to IFRS 9 FVO (Reclassification of FV change due to credit risk)		0	0	0	0	145	-145
from hedge accounting derivatives		0	58	0	58	0	0
Total change		**0**	**12,647**	**442**	**13,089**	**306**	**-748**
Total – fair value through profit or loss	e	**4,953**	**12,647**	**442**	**18,042**	**306**	**-748**
Total – financial liabilities	f	**197,602**	**58**	**442**	**198,102**	**306**	**-748**

(a) The amount includes IAS 39 balance sheet line items with following carrying amounts in EUR million (including amounts transferred from other line items which are explained below):

_ deposits from banks: 16,374;
  This amount also includes EUR 24 million related to portfolio fair value hedges (presented in the separate line item 'Changes in fair value of portfolio hedged items' under IAS 39). This amount was transferred against the carrying amount of financial liabilities when portfolio fair value hedges were de-designated and single fair value hedges were newly designated as of 1 January 2018;
_ deposits from customers: 150,921;
_ debt securities issued: 24,255, compared to the amount presented in the 2017 financial statements, this amount also includes:
  _ effect of embedded derivatives assets with a carrying amount of EUR 26 million (decreasing the carrying amount of liabilities) and embedded derivative liabilities with a carrying amount of EUR 270 million that were separated under IAS 39 and presented as held for trading. They were included in the financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9;
  _ the amount of EUR 642 million related to portfolio fair value hedges (presented in the separate line item 'Changes in fair value of portfolio hedged items' under IAS 39); As of 1 January 2018 under IFRS 9, the amount was included in the financial liabilities designated at fair value through profit or loss (EUR 509 million) and in the financial liabilities measured at amortised cost designated as hedged items in single fair value hedges (EUR 133 million);
  _ an amount reported in other liabilities under IAS 39 with a carrying amount of EUR 27 million that, due to the economic relation of these liabilities to the underlying bonds, was transferred to debt securities issued; and
_ other financial liabilities 1,099.

(b) The amounts related to financial liabilities measured at amortised cost under IAS 39 and designated at fair value through profit or loss as of 1 January 2018 under IFRS 9 consist of:

_ debt securities issued with a reclassification amount of EUR 11,922 million and a remeasurement amount of EUR 437 million;
_ deposits from customers with a reclassification amount of EUR 133 million and a remeasurement amount of EUR 4 million; and
_ other financial liabilities (fund units issued by funds consolidated by Erste Group) with a reclassification amount of EUR 534 million.

The effect of the fair value changes resulting from credit risk of the financial liabilities that is recognised in OCI amounts to a loss of EUR 748 million, thereof EUR 603 million are attributable to newly designated financial liabilities.

(c) The IFRS 9 carrying amount as at 1 January 2018 includes IFRS 9 balance sheet line items with following carrying amounts in EUR million:

_ deposits from banks: 16,374;
_ deposits from customers: 150,788;
_ debt securities issued: 12,333; and
_ other financial liabilities: 565.

(d) The amount includes IAS 39 balance sheet line items with following carrying amounts in EUR million:

_ derivatives – held for trading: 2,663.
  This amount excludes embedded derivatives with a carrying amount of EUR 270 million that became part of financial liabilities designated at fair value through profit or loss as of 1 January 2018 under IFRS 9;
_ other trading liabilities: 489;
_ financial liabilities - at fair value through profit or loss:
  _ deposits from customers: 49; and
  _ debt securities issued: 1,753.

(e) The IFRS 9 carrying amount as at 1 January 2018 includes IFRS 9 balance sheet line items with following carrying amounts in EUR million:

_ derivatives: 2,721;
_ other trading liabilities: 489;
_ financial liabilities designated at fair value through profit or loss:
  _ deposits from customers: 186;

_ debt securities issued: 14,113; and
_ other financial liabilities: 534.

(f) The total in the reclassification column amounts to EUR 58 million and equals the carrying amount of hedge accounting derivatives which were dedesignated as of 1 January 2018 and became derivatives – held for trading. As hedge accounting derivatives did not constitute an official IAS 39 measurement category their subtractions are not captured in the table and they only appear as additions under the fair value through profit or loss category.

iv. Reconciliation of impairment allowances

The following table reconciles the amounts of loss allowances as at 31 December 2017 based on the IAS 39 incurred loss impairment model with the amounts as at 1 January 2018 subject to the IFRS 9 expected credit loss impairment model:

in EUR million	IAS 39/IAS 37 31 Dec 17	Reclassifications	Remeasurement	IFRS 9 1 Jan 18
Debt instruments at AC	-3,833	40	-215	-4,008
Debt instruments at FVOCI	0	-8	-5	-13
Finance lease	-154	0	-18	-172
Off balance-sheet exposures (loan commitments and guarantees given)	-323	0	16	-307
Total	**-4,310**	**32**	**-223**	**-4,500**

The column 'Reclassifications' relates to changes in impairment allowances due to differences in the scope of requirements between IFRS 9 and IAS 39. As a result, the decrease in impairment due to reclassifications amounting to EUR 32 million:
_ relates mainly to reversals of IAS 39-based loan loss provisions recognised under IAS 39 in respect of debt instruments (mainly loans) at amortised cost that were classified as mandatorily at FVPL under IFRS 9;
_ is also affected by increase in loss allowances newly recognised on 1 January 2018 of EUR 8 million in respect of former AFS debt securities classified at FVOCI under IFRS 9. However this change did not impact the group equity upon transition to IFRS 9.

The column 'Remeasurement' relates to changes in impairment allowances that were (under IAS 39 for financial assets and under IAS 37 for off-balance sheet credit risk bearing exposures) and continue to stay (under IFRS 9) in the impairment calculation scope. In this respect:
_ the line 'Debt instruments at AC' captures differences in loss allowances for debt instruments measured at amortised cost under IFRS 9 that were previously classified as loans and receivables (other than trade and other receivables) and held-to-maturity in accordance with IAS 39;
_ the line 'Debt instruments at FVOCI' reconciles the loss allowances for debt instruments measured at FVOCI under IFRS 9 that were classified as held-to-maturity.

Further, the increase in impairments amounting to EUR 223 million attributable to remeasurement includes an amount of EUR 116 million that did not impact the group equity upon transition to IFRS 9. This equity neutral amount consists of:
_ an increase of EUR 303 million representing additional impairment allowances against credit-impaired loans ('Stage 3') in respect of which contractual interest receivables accruing after default were recorded outside the balance sheet up to 31 December 2017 but were re-integrated in the on-balance gross carrying amounts of the related assets as of 1 January 2018;
_ a decrease of EUR 187 million related to impairments of loans that were retrospectively identified as originated credit-impaired upon transition to IFRS 9. These impairments were included in the gross carrying amounts of the related assets as of 1 January 2018 (irrespective of whether cured or still defaulted).

As a result, the impairment remeasurements had a negative impact on the group equity amounting to EUR 106 million.

Overall, the re-classifications and impairment remeasurements effects decreased the group equity by EUR 66 million. This amount combines a decrease in equity from remeasurements of EUR 106 million and an increase in equity of EUR 40 million from reclassifications of debt instruments at AC.

v. Deferred tax effects upon transition to IFRS 9

The following table presents the changes in the carrying amounts of Erste Group's deferred tax assets and liabilities due to the initial application of IFRS 9:

in EUR million	IAS 39 Closing balance 31 Dec 17	IFRS 9 Opening balance 1 Jan 18	Retained earnings effects	OCI effects
Deferred tax assets	258	299	-277	318
Deferred tax liabilities	-61	-38	225	-202

These changes result primarily from the impact of IFRS 9 initial application adjustments over the underlying temporary differences between the accounting and tax values of the financial assets and liabilities. To a much lesser extent, they also result from fiscal profit forecasts updates due to the influence of IFRS 9 over the amount or timing of reversal of the reassessed temporary differences as of the transition date.

vi. De-designation from and designations to fair value option upon transition to IFRS 9

Financial assets with a carrying amount of EUR 155 million were de-designated from being measured at FVPL upon transition to IFRS 9. Reasons for the de-designation are described below.

in EUR million	IAS 39 carrying amount
Required de-designations:	**138**
SPPI failed	138
Voluntary de-designations	**17**
Total de-designations of financial assets	**155**

On the other hand, financial assets with carrying amount of EUR 35 million were newly designated as measured at FVPL upon transition to IFRS 9. The reason for the designations was a significant reduction of accounting mismatches due to the interest risk of these assets being economically hedged by interest derivatives.

No financial liabilities were de-designated from being measured at FVPL upon transition to IFRS 9. However, designations of existing financial liabilities as measured at FVPL upon transition to IFRS 9 were used extensively. The reason for the designations was a significant reduction of accounting mismatches due to interest risk of these liabilities being economically hedged by derivatives. The carrying amount of financial liabilities designated at FVPL under IAS 39 and IFRS 9 including reclassifications from financial liabilities (or assets) not designated at FVPL and changes in the carrying amount (column 'remeasurements') are captured in the following table.

in EUR million	IAS 39 carrying amount 31 Dec 17	Reclassification	Remeasurement	IFRS 9 carrying amount 1 Jan 18
Financial liabilities designated at FVPL - debt securities issued	**1,753**	**11,922**	**437**	**14,112**
from IAS 39 Financial liabilities – held for trading /Derivatives		270		270
from IAS 39 Financial assets – held for trading /Derivatives		-26		-26
from IAS 39 Financial liabilities at AC – debt securities issued		11,143	437	11,580
from IAS 39 Changes in fair value in portfolio hedged items		509		509
from IAS 39 Other liabilities		27		27
Financial liabilities designated at FVPL - deposits from customers	**48**	**133**	**4**	**186**
from IAS 39 Financial liabilities at AC– deposits from customers		133	4	186
Financial liabilities designated at FVPL - other financial liabilities	**0**	**534**		**534**
from IAS 39 Financial liabilities at AC – other financial liabilities		534		534
Total	**1,801**	**12,589**	**442**	**14,832**

For explanation of the amounts disclosed in the column 'Reclassification' see also comment (i) to table 'i. Classification and measurement of financial instruments' above.

vii. Financial assets reclassified to AC or FVOCI

As at 31 December 2018, the fair value of the financial assets that were classified as available for sale under IAS 39 and reclassified to amortised cost upon transition to IFRS 9 amounts to EUR 3,684 million. The combined unrealised fair value net loss that would have been recorded in the other comprehensive income of the year 2018 if these assets had not been reclassified amounts to EUR 146 million.

As at 31 December 2018, the fair value of the financial assets that were measured at FVPL under IAS 39 and reclassified to FVOCI upon transition to IFRS 9 amounts to EUR 3.4 million. The combined unrealised fair value net gain that would have been recorded in the income statement of the year 2018 if these assets had not been reclassified amounts to EUR 0.1 million. The interest income recognised in the year 2018 in respect of these assets amounts to EUR 0.7 million.

As at 31 December 2018, there are no financial assets that were measured at FVPL under IAS 39 and were reclassified at AC upon transition to IFRS 9.

IFRS 15 Revenue from Contracts with Customers

As of 1 January 2018, Erste Group has adopted IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 specifies how and when an entity recognises revenue from contracts with customers. It also requires such entities to provide users of financial statements with more informative and more relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers, except for those revenue streams for which other standards like IFRS 9 provide more specific regulations. As a consequence, the standard is not focused on recognition of revenues from financial instruments. For Erste Group the scope of application is therefore substantially restricted to revenue streams presented under fee and commission income. The adoption of the five step model did not impact the timing or amount of fee and commission income and the related assets and liabilities recognised by Erste Group. Accordingly, the impact of the first time application of this standard is limited to new disclosures.

Financial instruments
A financial instrument is any contract giving rise to a financial asset of one party and a financial liability or equity instrument of another party. In accordance with IFRS 9 (as well as IAS 39), all financial assets and liabilities – which also include derivative financial instruments – have to be recognised on the balance sheet and measured in accordance with their assigned categories.

Measurement methods for financial instruments
Measurement of financial assets and financial liabilities is subject to two primary measurement methods.

i. Amortised cost and effective interest rate
Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount. For financial assets the amount is adjusted for any loss allowance.

The effective interest rate ('EIR') is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset (i.e. its amortised cost before adjusting for any loss allowance) or to the amortised cost of the financial liability. The estimated cash flows consider all the contractual terms of the financial instrument but disregard the expected credit losses. The calculation includes transaction costs, origination fees that are an integral part of the EIR and all other premiums and discounts to the par amount.

For purchased or originated credit-impaired financial assets ('POCI', see part 'Impairment of financial instruments under IFRS 9'), credit-adjusted EIR is used. It is the rate that exactly discounts the estimated future cash flows which consider expected credit losses to the amortised cost of a financial asset.

The EIR is used for recognition of interest income and interest expense. Interest income is calculated in the following way:
- EIR applied to the gross carrying amount for financial assets that are not credit-impaired (Stage 1 and Stage 2, see part 'Impairment of financial instruments');
- EIR applied to the amortised cost for financial assets that are credit-impaired (Stage 3, see 'Impairment of financial instruments'); and
- credit-adjusted EIR applied to the amortised cost for POCI financial assets.

Under IAS 39, the EIR is applied to the gross carrying amount of the financial assets and, for financial assets that are individually impaired, to the amortised cost.

Interest expense is calculated by applying the effective interest rate to the amortised cost of a financial liability.

ii. Fair value
Fair value is the price that would be received if an asset were sold or paid if a liability were transferred in an orderly transaction between market participants on the measurement date. The definition also applies to fair value measurements of non-financial assets and liabilities. Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 56 Fair value of financial instruments.

Initial recognition and measurement
i. Initial recognition
Financial instruments are initially recognised when Erste Group becomes a party to the contractual provisions of the instrument. Regular way (spot) purchases and sales of financial assets are recognised at the settlement date, which is the date that an asset is delivered.

ii. Initial measurement
Financial instruments are measured initially at their fair value including transaction costs (except for financial instruments at fair value through profit or loss, for which transaction costs are recognised directly in profit or loss). In most cases, the fair value at initial recognition equals the transaction price, i.e. the price transferred to originate or acquire a financial asset or the price received to issue or incur a financial liability.

Classification and subsequent measurement of financial assets under IFRS 9
In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:
(i) The business model for managing the financial assets – the assessment is focused on whether the financial asset is part of a portfolio in which the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets or they are held in other business models.
(ii) The cash flow characteristics of the financial assets – the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

Application of these criteria leads to classification of financial assets into three measurement categories.

i. Financial assets at amortised cost

Financial assets are measured at amortised cost if they are held in a business model whose objective is to collect contractual cash flows, and their contractual cash flows are SPPI.

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line ‘Financial assets at amortised cost’, ‘Trade and other receivables’ and ‘Cash and cash balances’. Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

Interest income on these assets is calculated by effective interest method and is included under the line ‘Interest income’ under ‘Net interest income’ in the statement of income. Impairment gains or losses are included in the line ‘Impairment result from financial instruments’. Gains and losses from derecognition (such as sales) of the assets are reported under the line item ‘Gains/losses from derecognition of financial assets measured at amortised cost’.

At Erste Group, financial assets at amortised cost constitute the largest measurement category, which includes the vast majority of loan business to customers (except for certain loans measured at fair value through profit or loss), interbank lending business (including reverse repo transactions), deposits with central banks, amounts in the course of settlement, trade and other receivables. Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield enhancement activities). Their common attribute is that significant and frequent sales of such securities are not expected. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model, see the ‘Business model assessment’ part in chapter ‘d) Significant accounting judgements, assumptions and estimates’.

ii. Financial assets at fair value through other comprehensive income

Debt instrument financial assets are measured at fair value through other comprehensive income (FVOCI) if their contractual cash flows are SPPI-compliant and they are held within a business model whose objective is achieved by both to collect contractual cash flows and sell the assets. On the balance sheet, they are included as ‘Debt securities’ under the line ‘Financial asset at fair value through other comprehensive income’.

Interest income on these assets is calculated using the effective interest method and is included in the line ‘Interest income’ under ‘Net interest income’ in the statement of income. Impairment gains and losses are recognised in profit or loss in the line ‘Impairment result from financial instruments’ with opposite entry in OCI rather than against the asset value. As a result, the measurement impact recognised in profit or loss is the same as for financial assets measured at amortised cost.

The difference between the fair value at which the assets are carried in the balance sheet and the amortised cost component is recognised as accumulated OCI in equity specifically under ‘Fair value reserve’ in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line ‘Fair value reserve of debt instruments’. When the financial asset is derecognised, the amount previously accumulated in OCI is reclassified to profit or loss and reported under the line ‘Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss’.

Erste Group classifies investments in debt securities as measured at FVOCI. They are part of ‘held to collect and sell’ business models. Similarly to debt instruments, assets measured at amortised cost, they relate to various business objectives such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield-enhancement activities. The common attribute for investments in debt instruments at FVOCI is that an active yield optimisation via sales is integral to achieving the objectives. The sales are carried out in order to optimise the liquidity position or to realise the fair value gains or losses. As a result, the business objectives are achieved through both collecting contractual cash flows and sales of the securities.

For certain investments in equity instruments that are not held for trading, Erste Group makes use of the option to measure them at FVOCI. This election is applied to strategic, significant banking business relationship investments (except for insurance business). The fair value gains or losses for the period are reported as OCI in the line ‘Fair value reserve of equity instruments’ of the statement of comprehensive income. The cumulative gains or losses are included under ‘Fair value reserve’ in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. However, upon derecognition of the investments in equity instruments at FVOCI the amount accumulated in OCI is transferred to retained earnings. Dividends received on these investments are reported under the line ‘Dividend income’ of the statement of income. On the balance sheet, financial assets measured at fair value through OCI are included as ‘Equity instruments’ under the line ‘Financial asset at fair value through other comprehensive income’.

iii. Financial assets at fair value through profit or loss

There are various reasons for assigning the fair value through profit or loss (FVPL) measurement category to financial assets:
Financial assets whose contractual cash flows are not considered as SPPI are automatically measured at FVPL. In the business of Erste Group, this concerns certain loans to customers and debt securities. The main reason for the loans failing the SPPI assessment is that they have interest mismatch features that do not pass the quantitative testing required by IFRS 9 (see description in the part 'SPPI assessment' of chapter 'd) Significant accounting judgements, assumptions and estimates').

Other source of FVPL measurement relates to financial assets that are part of residual business models, i.e. they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis. In the business of Erste Group, such business models are typical of assets that are held for trading (i.e. financial assets held by the trading function of the bank), of assets whose value is expected to be primarily realised through sales, such as investments in securitisations or of failed loan syndications when the loan is offered for sale on the market. Further subject to FVPL measurement are financial assets held by funds consolidated by Erste Group since they are managed and their performance is evaluated on a fair value basis.

Erste Group also makes use of the option to designate some financial assets as measured at FVPL at initial recognition. Such a classification is used if it eliminates or significantly reduces an accounting mismatch between the financial asset, which in the absence of such a classification would be measured at amortised cost or at FVOCI, and the related derivative measured at FVPL.

On the balance sheet, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading', sub-items 'Other financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss' (sub-items 'Debt securities', 'Loans and advances to banks' and 'Loans and advances to customers'). Non-trading financial assets consist of two sub-categories disclosed in Note 20 which are 'mandatorily at fair value through profit or loss' and 'designated at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows are not SPPI or they are held as part of residual business models that are other than held for trading.

Investments in equity instruments that are held for trading (i.e. financial assets held by the trading function of the bank) are measured at FVPL. They are included in the balance sheet under the line 'Financial assets held for trading', sub-item 'Other financial assets held for trading'. Investments in equity instruments that are not held for trading are also measured at FVPL (unless they are designated at FVOCI). They are presented in the balance sheet under 'Non-trading financial assets at fair value through profit or loss', sub-item 'Equity instruments', sub-category 'mandatorily at fair value through profit or loss' in Note 20.

In the statement of income, the profit or loss effects of financial assets measured at FVPL are split into interest income or dividend income and fair value gains and losses. The interest income on debt instruments is presented in the line 'Other similar income' under 'Net interest income' and is calculated by applying the EIR to the amortised cost component of the financial assets. The dividend income on equity instruments is presented in the line 'Dividend income'. The fair value gains or losses are calculated net of the interest or dividend income, and they also include transaction costs and origination fees. They are reported in the line 'Net trading result' for financial assets held for trading and in the line 'Gains/losses from financial instruments measured at fair value through profit or loss' in case of non-trading financial assets at FVPL. For investments in funds, which are not consolidated by Erste Group, the interest or dividend component is not separated from the fair value gains or losses.

Classification and subsequent measurement of financial liabilities under IFRS 9

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss.

i. Financial liabilities at amortised cost

For presentation on the balance sheet, the line item 'Financial liabilities measured at amortised cost' is used. The liabilities are further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are reported in the line item 'Interest expenses' under 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) are reported under the line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'.

ii. Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL consist of financial liabilities held for trading and financial liabilities designated at FVPL.
Non-derivative financial liabilities held for trading are those which are incurred principally for the purpose of repurchasing them in the near term. In the business of Erste Group non-derivative held for trading liabilities are largely comprise short sales. These arise from obligations to return securities, which are purchased under agreements to resell or are borrowed through securities lending transactions and subsequently sold to third parties. On the balance sheet such liabilities are presented under the line 'Financial liabilities held for trading', sub-item 'Other financial liabilities'. The gains or losses on financial liabilities held for trading are reported in the line 'Net trading result' in the statement of income.

Erste Group makes use of the option to designate some financial liabilities as measured at FVPL at initial recognition (referred to as fair value option) if:

- such classification eliminates or significantly reduces an accounting mismatch between the financial liability otherwise measured at amortised cost and the related derivative measured at FVPL; or
- the entire hybrid contract is designated at FVPL due to the existence of a non-closely related embedded derivative.

Financial liabilities designated at FVPL are reported on the balance sheet under the line item 'Financial liabilities designated at fair value through profit or loss' and are further broken down into 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'. Other financial liabilities relate to fund units issued by funds consolidated by Erste Group. Interest incurred is reported in the statement of income under in line item 'Other similar expenses' under 'Net interest income'. Gains and losses resulting from changes in fair value are recognised net of the interest expense under the line item 'Gains/losses from financial instruments measured at fair value through profit or loss'.

The amount of the fair value change resulting from the credit risk of the financial liability for the period is presented as OCI in the statement of comprehensive income in the line 'Own credit risk reserve'. The cumulative amount is recognised as accumulated OCI, specifically under 'Own credit risk reserve' in the statement of changes in equity. The amount recognised in OCI is never reclassified to profit or loss. However, upon derecognition (mainly repurchases) of the financial liabilities designated at FVPL the amount accumulated in OCI is transferred to retained earnings.

The cumulative amount recognised in OCI is calculated as the difference between the present value of the liability determined by using the original credit spread and the fair value of the liability. When calculating the present value of the liability by using the original credit spread the rate used for discounting is the sum of the observed interest rate (swap yield curve) and the original credit spread. The original credit spread is determined at initial recognition of the liability and it equals the difference between the total yield of the liability and the observed interest rate (swap yield curve) at that time. For the purpose of calculation of the present value of the liability, the original credit spread remains fixed over the whole life of the liability. The amount of fair value change attributable to changes in credit risk of the liability for the period which is recognised in OCI is the difference between the cumulative amount of the credit risk at the end of the period and at the beginning of the period.

Classification, subsequent measurement and balance sheet line items of financial instruments under IAS 39

As regards the comparative period information on financial instruments in accordance with IAS 39, Erste Group uses the following categories of financial instruments:

- financial assets or financial liabilities at fair value through profit or loss;
- available-for-sale financial assets;
- held-to-maturity investments;
- loans and receivables; and
- financial liabilities measured at amortised cost.

The line items as presented on the balance sheet do not necessarily correspond with the IAS 39 categories of financial instruments. The correspondence between the balance sheet line items and the categories of financial instruments is described in the table at item (ix).

i. Cash and cash balances in the comparative period

Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. Mandatory minimum reserves are also shown under this item.

ii. Derivative financial instruments in the comparative period

Please refer to the part 'Derivative financial instruments' below.

iii. Financial assets and financial liabilities – held for trading in the comparative period

Financial assets and financial liabilities – held for trading comprise derivatives and other trading assets and liabilities. The treatment of derivatives – held for trading is discussed in the part Derivative financial instruments below.

Other trading assets and liabilities are non-derivative instruments. They include debt securities as well as equity instruments acquired or issued principally for the purpose of selling or repurchasing in the near term. In the balance sheet, they are presented as 'Other trading assets' or 'Other trading liabilities' under the heading 'Financial assets/financial liabilities – held for trading'.

Changes in fair value (clean price for debt instruments) resulting from other trading assets and liabilities are reported in the statement of income under the line item 'Net trading result'. Interest income and expenses are reported in the statement of income under the line item 'Net interest income'. Dividend income is shown under the line item 'Dividend income'.

If securities purchased under an agreement to resell or borrowed through securities lending transactions are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Other trading liabilities'.

iv. Financial assets or financial liabilities designated at fair value through profit or loss in the comparative period
Financial assets or financial liabilities classified in this category under IAS 39 are those that were designated by management on initial recognition (fair value option).

In 2017 Erste Group used the fair value option in the case of financial assets managed on a fair value basis. In accordance with a documented investment strategy, the performance of the portfolio is evaluated and regularly reported to the management board. The portfolio contains mostly funds and bonds.

Financial assets designated at fair value through profit or loss are recorded on the balance sheet at fair value and presented under the line item 'Financial assets at fair value through profit or loss', with changes in fair value recognised in the statement of income under the line item 'Gains/losses from financial assets and liabilities measured at fair value through profit or loss'. Interest earned on debt instruments is reported under the line item 'Net interest income'. Dividend income on equity instruments is shown under the line item 'Dividend income'.

Furthermore, Erste Group uses the fair value option in the case of some hybrid financial liabilities. This is relevant when:
- such classification eliminates or significantly reduces an accounting mismatch between the financial liability otherwise measured at amortised cost and the related derivative measured at fair value; or
- the entire hybrid contract is designated at fair value through profit or loss due to the existence of an embedded derivative.

Financial liabilities designated at fair value through profit or loss are reported on the balance sheet under the line item 'Financial liabilities designated at fair value through profit or loss' further broken down into 'Deposits from customers' and 'Debt securities issued'. Changes in fair value are recognised in the statement of income under the line item 'Gains/losses from financial assets and liabilities measured at fair value through profit or loss'. Interest incurred is reported under the line item 'Net interest income'.

v. Financial assets available for sale in the comparative period
Available-for-sale financial assets include debt and equity securities as well as other interests in entities with lower than significant influence. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

Available-for-sale financial assets are measured at fair value. On the balance sheet, available-for-sale financial assets are disclosed under the line item 'Financial assets available for sale'.

Unrealised gains and losses are recognised in OCI and reported in the 'Available for sale reserve' until the financial asset is disposed of or impaired. If available-for-sale assets are disposed of or impaired, the cumulative gain or loss previously recognised in OCI is reclassified to profit or loss and reported in the line item 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net' in the case of sale or in the line item 'Net impairment loss on financial assets' in the case of impairment.

Interest income on available-for-sale financial assets is reported under the line item 'Net interest income'. Dividend income is reported under the line item 'Dividend income'.

In 2017, as part of the IFRS 9 implementation, valuation models were developed for investments in unquoted equities that were previously measured at cost less impairment. Erste Group considers that these models deliver reliable, fair value measurement. As a result, these investments were remeasured to fair value throughout 2017. The remeasurement effects are disclosed in Note 21 Financial assets available for sale.

vi. Financial assets held to maturity in the comparative period
Under IAS 39, non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity and reported on the balance sheet as 'Financial assets held to maturity' if Erste Group has the intention and ability to hold them until maturity. After initial recognition, held-to-maturity financial assets are measured at amortised cost. Amortised cost is calculated by taking into account any discount, premium and/or transaction costs that are an integral part of the effective interest rate.

Interest earned on financial assets held to maturity is reported in the statement of income under the line item 'Net interest income'. Losses arising from impairment of such financial assets are presented as 'Net impairment loss on financial assets'. Realised gains or losses from selling are recognised in the statement of income under the line item 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net'.

vii. Loans and receivables in the comparative period
The balance sheet line item 'Loans and receivables to credit institutions' includes financial instruments that are allocated to the IAS 39 financial instrument category loans and receivables with a contractual maturity of more than 24 hours. The balance sheet line item 'Loans and receivables to customers' includes financial instruments that are allocated to the financial instrument category loans and receivables

regardless of their contractual maturity. Furthermore, finance lease receivables that are accounted for using IAS 17 are presented under these balance sheet line items.

Under IAS 39, loans and receivables are non-derivative financial assets (including debt securities) with fixed or determinable payments that are not quoted in an active market, other than:

- those that Erste Group intends to sell immediately or in the near term and those that Erste Group upon initial recognition designates as at fair value through profit or loss;
- those that Erste Group, upon initial recognition, designates as available for sale; or
- those for which Erste Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial recognition, loans and receivables are measured at amortised cost. Finance lease receivables are subsequently measured as specified in the chapter 'Leasing'. Interest income earned is included under the line item 'Net interest income' in the statement of income. Impairment losses arising from loans and receivables are recognised in the statement of income under the line item 'Net impairment loss on financial assets'.

viii. Financial liabilities measured at amortised cost in the comparative period

Financial liabilities are measured at amortised cost unless they are measured at fair value through profit or loss.
For presentation on the balance sheet, the line item 'Financial liabilities measured at amortised cost' is used. The liabilities are further broken down by 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

Interest expenses incurred are reported in the line item 'Net interest income' in the statement of income. Gains and losses from derecognition (mainly repurchase) of financial liabilities at amortised cost are reported under the line item 'Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net'.

ix. Relationships between balance sheet items, measurement methods and categories of financial instruments in the comparative period

	Measurement principle			Financial instrument category
Balance sheet position	Fair value	Amortised cost	Other	
Assets				
Cash and cash balances		x	Nominal value	n/a / Loans and receivables
Financial assets - held for trading				
Derivatives	x			Financial assets at fair value through profit or loss
Other trading assets	x			Financial assets at fair value through profit or loss
Financial assets - at fair value through profit or loss	x			Financial assets at fair value through profit or loss
Financial assets - available for sale	x			Available for sale financial assets
Financial assets - held to maturity		x		Held to maturity investments
Loans and receivables to credit institutions		x		Loans and receivables
thereof Finance lease			IAS 17	n/a
Loans and receivables to customers		x		Loans and receivables
thereof Finance lease			IAS 17	n/a
Derivatives - hedge accounting	x			n/a
Liabilities and equity				
Financial liabilities - held for trading				
Derivatives	x			Financial liabilities - at fair value through profit or loss
Other trading liabilities	x			Financial liabilities - at fair value through profit or loss
Financial liabilities - at fair value through profit or loss	x			Financial liabilities - at fair value through profit or loss
Financial liabilities measured at amortised cost		x		Financial liabilities measured at amortised cost
Derivatives - hedge accounting	x			n/a

Furthermore, two additional classes of financial instruments that are not presented in the table above are part of IFRS 7 disclosures. These are financial guarantees and irrevocable credit commitments.

Impairment of financial instruments under IFRS 9

Erste Group recognises loss allowances for impairment on its debt instrument financial assets, other than those measured at FVPL, its lease receivables, and its off-balance credit risk exposures arising from financial guarantees and certain loan commitments. The impairment is based on expected credit losses whose measurement reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The amount of the impairment loss is recognised as a loss allowance. For the purpose of the measurement of the amount of expected credit loss and recognition of interest income, Erste Group distinguishes between three stages of impairment.

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition. The impairment is measured in the amount of the 12-month expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by effective interest rate applied to the gross carrying amount of the financial asset (as for Stage 1).

Financial assets in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, Erste Group generally adopted the approach of aligning it with the regulatory concept of 'default' for lending exposures. The impairment for such financial assets is measured in the amount of lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset. From a balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss).

More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 54 Risk management, part Credit risk.

For financial assets measured at amortised cost, the net carrying amount of the financial asset presented on the balance sheet is the difference between the gross carrying amount and the cumulative loss allowance. However, for financial assets measured at FVOCI, the loss allowance is recognised in accumulated OCI, specifically under 'Fair value reserve' in the statement of changes in equity. Loss allowances for loan commitments and financial guarantees are presented under the balance sheet line item 'Provisions'.

For financial assets that are credit-impaired at initial recognition (POCI financial assets) lifetime expected credit losses are initially reflected in the credit-adjusted effective interest rate. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets. No impairment stages are distinguished for the POCI financial assets.

In the statement of income, impairment losses and their reversals (gains) on all kinds of financial instruments are presented in the line item 'Impairment result from financial instruments'.

Impairment of financial assets and credit risk losses of contingent liabilities under IAS 39

Under IAS 39 Erste Group assessed at each balance sheet date whether there was any objective evidence that a financial asset or group of financial assets was impaired. A financial asset or group of financial assets was deemed to be impaired if, and only if, there was objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or the group of financial assets that could be reliably estimated. Erste Group uses the CRR definition of default as a primary indicator of loss events.

In order to maximise collection opportunities and minimise the number of defaults, Erste Group renegotiates loans to customers in financial difficulties (referred to as forbearance cases). Both retail and corporate loans can be subject to forbearance. Under the Erste Group's forbearance policy, loan forbearance can be granted if the debtor is currently in default or if there is a high risk of default, there is evidence that the debtor made all efforts to pay according to the original contractual terms and it is expected that the debtor is able to meet the revised terms. Revised terms could be extended maturity, instalment reduction, changing the timing of the interest payments, interest reduction or forgiveness, revolving exposure change to instalments.

Loans subject to forbearance are generally not derecognised and are considered for impairment based on renegotiated conditions. However, in certain cases (like for FX loan conversions) when the renegotiation is qualitatively assessed as a substantial extinguishment of the rights to collect the cash flows due to material changes in the timing and amount of the cash flows, the loan is derecognised and the renegotiated loan is recognised as a new loan initially measured at fair value.

For assessment at portfolio level, Erste Group used the incurred but not reported losses concept under IAS 39. This concept identified the time period between the moment of the loss event causing future problems and actual detection of the problems by the bank at the moment of default.

Credit risk losses resulting from contingent liabilities were recognised if it was probable that an outflow of resources to settle a credit risk bearing contingent liability would occur and that this outflow would result in a loss.

Write-offs

Erste Group writes off a financial asset or a part of it when it has no reasonable expectations of recovering the respective cash flows. When performing the write-off, the gross carrying amount of the asset is reduced simultaneously with the related loss allowance balance.

Erste Group has specified criteria for writing off the unrecoverable balances in its loan business. Write-off can result from forbearance measures whereby the bank contractually waives part of the existing balance in order to help the customers overcome financial difficulties and thus improve the prospects of recovering the remaining loan balance (normally this relates to going concern scenarios for corporate customers). In gone concern scenarios with corporate customers, write-offs of the unrecoverable exposure parts are triggered by enforcement activities such as filing or termination of legal proceedings (bankruptcy, liquidation, court case). Other write-off triggers may result from decisions about no enforcement due to worthlessness of the claim/collateral or generally from assessment that the receivable is economically lost. For retail customers, the non-recoverability and the timing and amounts of write-off crystallise during the collection process when it becomes evident that the amount due cannot be collected, e.g. due to ongoing bankruptcy proceedings. Residual uncollectable balances are written off after the collection process.

Derecognition of financial instruments including treatment of contractual modifications

i. Derecognition of financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired; or
- Erste Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- and either:
  - it has transferred substantially all risks and rewards connected with ownership of the asset, or
  - has neither transferred nor retained substantially all risks and rewards connected with ownership of the asset but has transferred control of the asset.

The difference between the carrying amount of the derecognised asset and the consideration received is presented in the statement of income in the line 'Gains/losses from derecognition of financial assets measured at amortised cost' or, for financial assets at FVOCI, in the line 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss'. For financial assets measured at FVPL the derecognition gains or losses are recognised together with the measurement result in the lines 'Net trading result' or 'Gains/losses from financial instruments measured at fair value through profit or loss'.

In the comparative period, line items 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net', 'Result from financial assets and liabilities designated at fair value through profit or loss' and 'Net trading result' are used depending on the measurement category of the derecognised financial assets.

ii. Derecognition criteria with respect to contractual modifications of financial assets

In the normal course of running its lending business and in agreement with the respective debtors, Erste Group may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty. For the purpose of capturing the economic substance and financial effect of such contractual modifications, Erste Group has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms. While having been partly applied in the IAS 39 environment (see description of forbearance and related derecognitions above in the part 'Impairment of financial assets and credit risk losses of contingent liabilities under IAS 39'), these criteria have been further adapted to concepts brought by IFRS 9, e.g. modification of contractual cash flows.

Substantial modifications lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. They include following events:

- change of the contractual counterparty (unless this is a formal change such as changes in legal name);
- change in the currency of the contract (unless the change results from exercising an embedded option in the original contract with pre-agreed conditions of the change, or if the new currency is pegged to the original currency);
- introduction of a non-SPPI contractual feature (unless it is intended to improve recoveries from debtors by granting concessions supporting them to recover from financial difficulties); and
- removal of a non-SPPI contractual feature.

Some derecognition criteria distinguish whether contractual modifications are applied to debtors facing financial difficulties. Application of certain modifications to debtors in financial difficulties is not considered as substantial since they are aimed at improving the prospects of the bank to recover the claims by tailoring the repayment schedules to specific financial conditions of those debtors. On the other hand, such contractual modifications applied to performing debtors may be considered as substantial enough to warrant the derecognition, as further detailed below.

From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures, they are applied to customers in default or they trigger default:

_ repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and not less than two years compared to the original asset;

_ change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months); or

_ commercial renegotiations initiated by a debtor seeking better terms as an alternative to re-financing while a prepayment/early termination option and a sufficiently competitive refinancing market exist. Furthermore, the costs that the debtor would incur in case of prepayment/early termination would have to be assessed as sufficiently low for not deterring it. This derecognition trigger rarely applies to loan assets in Stage 2 and never in Stage 3.

If contractual modifications that qualify as forbearance measures are applied to customers in default or trigger default are so significant that they are qualitatively assessed as an extinguishment of original contractual rights, they result in derecognition. Examples of such modifications are:

_ a new agreement with materially different terms signed up as part of distressed restructuring following a standstill agreement suspending the rights of the original assets;

_ consolidation of multiple original loans into one with substantially different terms; or

_ transformation of a revolving loan into non-revolving.

Contractual modifications leading to derecognition of the related original assets result in the initial recognition of new financial assets. If the debtor is in default or the significant modification leads to the default, then the new asset will be treated as POCI. The difference between the carrying amount of the derecognised asset and initial fair value of the new POCI asset is presented in the statement of income in the line 'Impairment result from financial instruments'.

If the debtor is not in default or the significant modification does not lead to default, the new asset recognised after derecognition of the original asset will be in Stage 1. For loans measured at amortised cost, the unamortised balance of the origination fees/transaction costs considered in the effective interest rate is presented in the line 'Net interest income' at the derecognition date. The release of the credit loss allowance attached to the original asset at the date of that significant modification as well as the credit loss allowance recognised for the new asset are presented in the line 'Impairment result from financial instruments'. The remaining difference is presented in the line 'Gains/losses from derecognition of financial assets measured at amortised cost'.

For financial assets measured at FVPL, irrespective of whether they are in default, the derecognition gains and losses are included in the same line items of the statement of income as their measurement result, i.e. in 'Gains/losses from financial instruments measured at fair value through profit or loss'.

For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original effective interest rate. In the statement of income, the modification gain or loss is presented in the line 'Interest income' under 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'. However, to the extent that the contractual modification involves the bank giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

iii. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. This normally occurs when the liability is repaid or repurchased. In the statement of income, the difference between the carrying amount of the derecognised financial liability and the consideration paid is presented in the line 'Other gains/losses from financial instruments not measured at fair value through profit or loss' (in the comparative period, 'Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net'), 'Gains/losses from financial instruments measured at fair value through profit or loss' and 'Net trading result' depending on the measurement category of the derecognised financial liability.

Derivative financial instruments

Derivative financial instruments are used by Erste Group to manage exposures to interest rates, foreign currencies and other market price risks. Derivatives used by Erste Group include mainly interest rate swaps, futures, forward rate agreements, interest rate options, currency swaps and currency options as well as credit default swaps.

For presentation purposes, derivatives are split into

_ Derivatives – held for trading; and

_ Derivatives – hedge accounting

Derivative financial instruments are carried at fair value (dirty price) on the balance sheet. Derivatives are carried as assets if their fair value is positive and as liabilities if their fair value is negative.

Derivatives – held for trading are those that are not designated as hedging instruments for hedge accounting. They are presented in the line item ‘Derivatives’ under the heading ‘Financial assets/Financial liabilities held for trading’. All kinds of non-hedging derivatives without regard to their internal classification, i.e. both derivatives held in the trading book and banking book, are presented in this line item.

Derivatives – hedge accounting are those that are designated as hedging instruments in hedge accounting relationships fulfilling the conditions of IAS 39 (please refer to the Hedge Accounting part). On the balance sheet, they are presented in the line item ‘Hedge accounting derivatives’ on the asset or liability side.

Changes in the fair value (clean price) of derivatives – held for trading are reported in the statement of income in the line item ‘Net trading result’. Interest income/expense related both to held for trading and hedging derivatives is presented in the statement of income in the line item ‘Other similar income’ or ‘Other similar expenses’ under ‘Net interest income’. Interest income/expense recognition is based on EIR-like accruals based on the derivative notional amount and includes amortisation of the inception value of the derivative (e.g. up-front fees, if any).

Changes in the fair value (clean price) of derivatives designated as hedging instruments in fair value hedges are recognised in the statement of income in the line item ‘Net trading result’.

The effective part of changes in the fair value (clean price) of derivatives in cash flow hedges is reported as other comprehensive income in the line item ‘Cash flow hedge reserve’ of the statement of comprehensive income. The accumulated other comprehensive income is presented under ‘Cash flow hedge reserve’ in the statement of changes in equity. The ineffective part of changes in the fair value (clean price) of derivatives in cash flow hedges is reported in the statement of income under the line item ‘Net trading result’.

Interest income/expense related to derivatives in both fair value and cash flow hedges is reported in the statement of income in the line item ‘Other similar income’ or ‘Other similar expenses’ under ‘Net interest income’. Interest income/expense recognition is based on EIR-like accruals in respect of the notional amount including up-front fees, if any.

Embedded derivatives

Erste Group issues certain financial liabilities which contain structured features. Structured features mean that a derivative is embedded in non-derivative host instruments. Embedded derivatives are separated from the host instruments if

- the economic characteristics of the derivatives are not closely related to the economic characteristics and risks of the host debt instruments;
- the embedded derivative meets the definition of a derivative; and
- the hybrid instrument is not a financial asset or liability held for trading or designated at fair value through profit or loss.

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item ‘Derivatives’ in financial assets held for trading and financial liabilities held for trading.

At Erste Group, derivatives that are not closely related and are separated are predominantly embedded in issued host debt instruments recognised as liabilities. The most typical cases are issues of bonds and deposits such as CMS bonds without appropriate cap, contractual features linking payments to non-interest variables such as FX rates, equity and commodity prices and indices, or third-party credit risk. From 2018, instead of separating the embedded derivatives, Erste Group largely uses the possibility to designate the entire financial liability as measured at FVPL.

Repurchase and reverse repurchase agreements

Transactions involving sales of securities under an agreement to repurchase them at a specified future date are also known as ‘repos’ or ‘sale and repurchase agreements’. Securities sold in such transactions are not derecognised from the balance sheet, as Erste Group retains substantially all risks and rewards of ownership, because the securities are repurchased at a fixed price when the repo transaction ends. Furthermore, Erste Group is the beneficiary of all coupons and other income payments received on the transferred assets over the period of the repo transactions. These payments are remitted to Erste Group or are reflected in the repurchase price.

The cash received upon sale of securities is recognised on the balance sheet with a corresponding obligation to return under the line item ‘Financial liabilities measured at amortised cost’, sub-items ‘Deposits from banks’ or ‘Deposits from customers’ reflecting the transaction’s economic substance as a loan to Erste Group. The difference between the sale and repurchase prices is treated as interest expense and recorded in the statement of income in the line item ‘Interest expenses’ under ‘Net interest income’ and is accrued over the life of the agreement. Financial assets transferred out by Erste Group under repurchase agreements remain on the Group’s balance sheet and are presented separately under the original balance sheet items in the ‘thereof pledged as collateral’ lines. The measurement category of the transferred financial assets does not change.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised on the balance sheet. Such transactions are also known as 'reverse repos'. The consideration paid is recorded on the balance sheet under the line item 'Financial assets at amortised cost', sub-items 'Loans and advances to banks' and 'Loans and advances to customers' reflecting the transaction's economic substance as a loan by Erste Group. For the comparative period the balance sheet lines 'Loans and receivables to credit institutions' or 'Loans and receivables to customers' are used in this place. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement and recorded in the statement of income in the line item 'Interest income' under 'Net interest income'.

Securities lending and borrowing

In securities lending transactions, the lender transfers ownership of securities to the borrower on the condition that the borrower will retransfer, at the end of the agreed loan term, ownership of instruments of the same type, quality and quantity and will pay a fee determined by the duration of the lending. The transfer of the securities to counterparties via securities lending does not result in derecognition. Substantially all the risks and rewards of ownership are retained by Erste Group as a lender because the securities are received at the end of the securities lending transaction. Furthermore, Erste Group is the beneficiary of all the coupons and other income payments received on the transferred assets over the period of the securities lending. Securities lent are presented separately under the original balance sheet items in the 'thereof pledged as collateral' lines. Fee income from securities lending transactions is presented in the statement of income in the line 'Fee and commission income' under 'Net fee and commission income'.

Securities borrowed are not recognised on the balance sheet unless they are then sold to third parties. The obligation to return the securities is recorded on the balance sheet as a short sale within 'Financial liabilities held for trading', sub-item 'Other financial liabilities'. Fee expense incurred on securities borrowing transactions is presented in the statement of income in the line 'Fee and commission expenses' under 'Net fee and commission income'.

Hedge accounting

Erste Group makes use of derivative instruments to hedge exposures to interest rate risk and foreign currency risk. In order for the derivatives and the exposures to qualify for hedge accounting, at inception of a hedge relationship, the bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk offset the fair value changes of the hedging instrument in a range of 80% to 125%. This is assessed both prospectively, i.e. whether the results are expected to be in the range, and retrospectively, i.e. whether the actual results are in the range. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Exact conditions for particular types of hedges and for testing the hedge effectiveness by Erste Group are specified internally in the hedge accounting guidance. As permitted by the transitional provisions of IFRS 9, Erste Group has elected to continue to apply the hedge accounting requirements of IAS 39.

i. Fair value hedges

For qualifying and designated fair value hedges, the change in the fair value (clean price) of a hedging instrument is recognised in the statement of income under the line item 'Net trading result'. Interest income and expenses on hedging derivatives are reported in the line item 'Other similar income' or 'Other similar expenses' under 'Net interest income'. The change in the fair value of the hedged item attributable to the hedged risk is also recognised in the statement of income under the line item 'Net trading result' and adjusts the carrying amount of the hedged item.

If the hedging instrument expires, is sold, is terminated or is exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the fair value adjustment of the hedged item is amortised to the statement of income in the line item 'Interest income' if the hedged item was a financial asset or, expenses' if the hedged item was a financial liability, 'Interest under 'Net interest income' until maturity of the financial instrument.

ii. Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised as OCI in the line 'Cash flow hedge reserve' of the statement of comprehensive income. The accumulated other comprehensive income is presented under 'Cash flow hedge reserve' in the statement of changes in equity. The ineffective portion of the gain or loss on the hedging instrument is recognised in the statement of income under the line item 'Net trading result'. For determination of the effective and ineffective portions, the derivative is considered at its clean price, i.e. excluding the interest component. When the hedged cash flow affects the statement of income, the gain or loss on the hedging instrument is reclassified from other comprehensive income on the corresponding income or expense line item in the statement of income (mainly 'Other similar income' or 'Other similar expenses' under 'Net interest income'). As far as accounting for hedged items in cash flow hedges is concerned, there is no change compared to the situation when no hedging is applied.

When a hedging instrument expires, is sold, is terminated, is exercised, or when a hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income remains in 'Cash flow hedge reserve' until the transaction occurs.

Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Erste Group undertakes interest rate derivative transactions via London Clearing House and credit derivative transactions via ICE Clear Europe Ltd by fulfilling all offsetting requirements according IAS 32. Offsetting is carried out between asset and liability derivative positions, while the net position is further offset with variation margin amounts. The amounts offset are disclosed in Note 17 Derivatives held for trading and Note 29 Hedge accounting derivatives as well as in Note 53 Offsetting of financial instruments.

Financial guarantees
In the ordinary course of business, Erste Group provides financial guarantees, consisting of various types of letters of credit and guarantees. A financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

If Erste Group is in the position of being a guarantee holder, the financial guarantee is not recorded on the balance sheet but is taken into consideration as collateral when determining the impairment of the guaranteed asset.

Erste Group as a guarantor recognises financial guarantees as soon as it becomes a contracting party. Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. This amount is subsequently amortised to fee income. If no premium is received at contract inception (i.e. the initial transaction price is zero), this is the price that would be paid to transfer the liability in an orderly transaction between market participants. As a result, the fair value of such a financial guarantee and thus the initial measurement is nil. Subsequent to initial recognition, provisions are recognised based on the expected credit loss impairment model if the amount is higher than the unamortised balance of the initial premium. They are presented on the balance sheet under the line 'Provisions'. In the comparative period, the financial guarantee contracts were reviewed for the possibility that provision recognition under IAS 37 was required. The premium received is recognised in the statement of income under the line item 'Fee and commission income' under 'Net fee and commission income' on a straight-line basis over the life of the guarantee.

Leasing
A lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment or series of payments. A finance lease at Erste Group is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. All other lease agreements at Erste Group are classified as operating leases. This mainly includes the leasing of commercial real estate, automobiles and small trucks.

i. Erste Group as a lessor
In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the statement of income under the line item 'Rental income from investment properties & other operating leases'.

The vast majority of lease agreements in which Erste Group operates as a lessor are finance leases.

ii. Erste Group as a lessee
As a lessee, Erste Group has not entered into any leases meeting the conditions of finance leases. Operating lease payments are recognised as an expense in the statement of income on the line item 'Other administrative expenses' on a straight-line basis over the lease term.

Foreign currency translation
The consolidated financial statements are presented in euro, which is the functional currency of Erste Group Bank AG. The functional currency is the currency of the primary business environment in which an entity operates. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

For foreign currency translation, exchange rates quoted by the central banks in each country are used. For Group entities with the euro as functional currency, these are the European Central Bank reference rates.

i. Transactions and balances in foreign currency
Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the statement of income under the line item 'Net trading result'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange

rates as of the dates of the initial transactions. Non-monetary items that are measured at fair value (such as equity investments) in a foreign currency are translated using the exchange rates at the date when the fair value was measured, thus the exchange differences are part of the fair value gains or losses.

ii. Translation of the statements of Group companies

Assets and liabilities of foreign operations (foreign subsidiaries and branches) are translated into Erste Group's presentation currency, the euro, at the rate of exchange as of the balance sheet date (closing rate). Their consolidated statement of income and consolidated statement of comprehensive income are translated at the average exchange rate of the respective reporting period calculated on the basis of daily rates. Goodwill, intangible assets recognised on acquisition of foreign subsidiaries (i.e. customer relationships and brand) and fair value adjustments to the carrying amounts of assets and liabilities on the acquisition are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate. Exchange differences arising on translation are recognised in OCI in the line 'Currency reserve' of the statement of comprehensive income. The accumulated OCI is presented in equity, specifically under 'Currency reserve' in the statement of changes in equity. On disposal of a foreign subsidiary, the cumulative amount of translation differences recognised in other comprehensive income is recognised in the statement of income under the line item 'Other operating result'.

Business combinations and goodwill

i. Business combinations

Business combinations are accounted for using the acquisition method. Goodwill represents the future economic benefits resulting from the business combination arising from assets that are not individually identified and separately recognised. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests, and the fair value of the previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired as well as the liabilities assumed. At the acquisition date, the identifiable assets acquired and the liabilities assumed are generally recognised at their fair values.

If, after reassessment of all components described above, the calculation results in a negative amount, it is recognised as a bargain purchase gain and reported in the statement of income under the line item 'Other operating result' in the year of acquisition.

Non-controlling interests that are present ownership interests in the acquiree are measured at the proportionate share of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Acquisition costs incurred are expensed and included under the statement of income line item 'Other operating result'.

ii. Goodwill and goodwill impairment testing

Goodwill arising on acquisition of a business is carried at cost as established as of the date of acquisition of the business less accumulated subsequent impairment losses, if any. Goodwill is tested for impairment annually in November, or whenever there is an indication of possible impairment during the year, with any impairment determined recognised in profit or loss. The impairment test is carried out for each cash-generating unit (CGU) to which goodwill has been allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is tested for impairment by comparing the recoverable amount of each CGU to which goodwill has been allocated with its carrying amount. The carrying amount of a CGU is based on the amount of net asset value allocated to the CGU taking into account any goodwill and intangible assets recognised at the time of business combination if they are allocated to the CGU.

The recoverable amount is the higher of a CGU's fair value less costs of disposal and its value in use. When available, the fair value less costs of disposal is determined based on recent transactions, market quotations or appraisals. The value in use is determined using a discounted cash flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. In determining value in use, the present value of future earnings distributable to shareholders is calculated.

The estimation of future earnings distributable to shareholders is based on financial plans for the CGUs as agreed by the management while taking into account the fulfilment of the respective regulatory capital requirements. The planning period is five years. Any forecasted earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate. The present value of such perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows for each CGU. Values for the long-term growth rates are disclosed in Note 37 Intangible assets in the subsection 'Development of goodwill'.

The cash flows are determined by subtracting the annual capital requirement generated by a change in the amount of risk-weighted assets from the net profit. The capital requirement was defined through the target tier 1 ratio in light of the expected future minimum regulatory capital requirements.

The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculation of the discount rate.

The values used to establish the discount rates are determined using external sources of information. Discount rates applied to determine the value in use are disclosed in Note 37 Intangible assets in the subsection 'Development of goodwill'.

When the recoverable amount of a CGU is less than its carrying amount, the difference is recognised as an impairment loss in the statement of income under the line item 'Other operating result'. The impairment loss is allocated first to write down the CGU's goodwill. Any remaining impairment loss reduces the carrying amount of the CGU's other assets, though not to an amount lower than their fair value less costs of disposal. No impairment loss is recognised if the recoverable amount of the CGU is higher than or equal to its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

The goodwill included in the acquisition cost of investments in associates and joint ventures is not tested separately by performing the recurring impairment assessments applicable to goodwill. Instead, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of fair value in use and fair value less costs of disposal) with its carrying amount (after application of the equity method) whenever relevant objective evidence of impairment is identified. Such evidence includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environments in which associates and joint ventures operate, indicating that the cost of the investment may not be recovered.

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment. Borrowing costs for qualifying assets are capitalised into the costs of property and equipment. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is recognised in the statement of income on the line item 'Depreciation and amortisation' and impairment under the line item 'Other operating result'.

in years	Useful lives
Buildings	30-50
Re-buildings on own and foreign real estates	15-50
Office furniture and equipment	4-10
Passenger cars	4-8
Computer hardware	4-6

Land is not depreciated.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of income under the line item 'Other operating result'.

Investment properties

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation. In the case of partial own use, the property is investment property only if the owner-occupied portion is insignificant. Investments in land and buildings under construction when the future use is expected to be the same as for investment property are treated as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Investment property is presented on the balance sheet in the line item 'Investment properties'.

Rental income is recognised in the statement of income in the line item 'Rental income from investment properties and other operating leases'. Depreciation is presented in the statement of income in the line item 'Depreciation and amortisation' using the straight-line method over an estimated useful life. The useful lives of investment properties are in the range of 15-100 years. Any impairment losses, as well as their reversals, are recognised under the line item 'Other operating result'.

Intangible assets

In addition to goodwill, Erste Group's intangible assets include computer software and customer relationships, the brand and other intangible assets. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank.

Costs of internally generated software are capitalised if Erste Group can demonstrate the technical feasibility and intention of completing the software, the ability to use it, how it will generate probable economic benefits, the availability of resources and the ability to measure the expenditures reliably. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition. In the case of Erste Group, these are brands and customer relationships, and they are capitalised on acquisition if they can be measured with sufficient reliability.

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the statement of income under the line item 'Depreciation and amortisation'.

in years	Useful lives
Computer software	4-8
Customer relationships	10-20

Brands are not amortised as they are assumed to have an indefinite useful life. An intangible asset has an indefinite useful life if there are no legal, contractual, regulatory or other factors limiting that useful life. Brands are tested for impairment annually within the cash-generating unit to which they belong, and impairment is recognised if appropriate. Furthermore, each period, brands are reviewed as to whether current circumstances continue to support the conclusion as to indefinite life. In the event of impairment, impairment losses are recognised in the statement of income under the line item 'Other operating result'.

Impairment of non-financial assets (property and equipment, investment properties, intangible assets)

The bank assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is done at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For specific rules related to impairment of goodwill and impairment allocation rules for CGUs, please see the chapter 'Business combinations and goodwill', part (ii) Goodwill and goodwill impairment testing.

If any indication of impairment exists or when annual impairment testing for an asset is required, the bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or the CGU's fair value less costs of disposal and its value in use. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In measuring value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

At each reporting date, an assessment is made as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the bank estimates the asset's or the CGU's recoverable amount. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairments and their reversals are recognised in the statement of income under the line item 'Other operating result'.

Non-current assets and disposal groups held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary), they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Should the impairment loss in a disposal group exceed the carrying amount of the assets that are within the scope of IFRS 5 measurement requirements, there is no specific guidance on how to treat such a difference. Erste Group recognises this difference as a provision under the balance sheet line item 'Provisions'.

Defined employee benefit plans

Defined employee benefit plans operated by Erste Group are for pensions, severance and jubilee benefits. From IAS 19 categorisation perspective, pension and severance benefits qualify as post-employment defined benefits plans whereas jubilee benefits are other long-term employee benefits.

In Austria, the defined benefit pension plans relate only to retired employees. The pension obligations for current employees were transferred to external pension funds in previous years. Remaining with Erste Group is a defined-benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect and for those former employees who retired only in 1999 but remained entitled to a direct pension from Erste Group under individual agreements. Also included are entitlements to resulting survivor pensions.

In the case of defined benefit plans, the commitments for active employees are primarily dependent on future salary increases, as well as on the expected entitlement date. Due to the nature of the commitment to the defined benefit pensioners the future, regularly expected pension adjustments according to the collective agreement and the state ASVG pension are estimated and taken into consideration as deduction from the total pension. The inflation rate is not indicated separately, but implicitly represented in the assumption for the future collective agreement development.

Employees of Austrian entities who started their employment before 1 January 2003, are entitled to receive a severance payment if their employment is terminated by the employer or if they retire. The amount to be paid depends on the number of years of service and the employee's salary at termination of the employment. For employees who started their employment after 31 December 2002, a contribution-based system is provided. The contributions to external employee pension funds are recognised as expenses.

Defined-benefit plans include jubilee benefits. Jubilee provisions are special one-off payments stipulated in the collective agreement which are dependent on remuneration and duration of service. Eligibility is conditioned on a certain minimum duration of the employment.

In addition, there are defined employee benefit plans for foreign subsidiaries and branches, mainly in Romania, Croatia, Serbia and Slovakia.

Obligations ensuing from defined employee benefit plans are determined using the projected unit credit method. Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those salaries, pensions and vested rights to future pension payments known as of the balance sheet date but also anticipated future rates of increase in salaries and pensions.

The liability recognised under a defined-benefit plan represents the present value of the defined benefit obligation less the fair value of the plan assets available for the direct settlement of obligations. For all plans, the present value of the obligation exceeds the fair value of the plan assets. The resulting defined benefit liability is reported on the balance sheet under the line item 'Provisions'. At Erste Group, the plan assets consist of qualifying insurance policies purchased to back severance and jubilee benefit provisions. Plan assets for pension provision are held by a long-term employee benefit fund.

Remeasurements consist of actuarial gains and losses on the defined benefit obligations and the return on plan assets. Remeasurements of pension and severance defined-benefit plans are recognised in other comprehensive income. Remeasurements of jubilee defined-benefit plans are recognised in the statement of income under the line item 'Personnel expenses'.

Erste Group board members bonus program

Every year Erste Group grants to its board members a bonus program. It relates to the services rendered by the board members in this year (i.e. 'service year'). The actual payments are conditional on Erste Group performance in the service year and the following five years. In this respect, they are split into a first tranche and five deferred tranches. Fifty percent of the bonuses are paid out in cash and meet the definition other long-term employee benefits in IAS 19. The remaining fifty percent depend on changes in the average share price of Erste Group Bank, AG and thus meet the conditions of cash-settled share-based payment in IFRS 2.

For both parts of the program, the full bonus is recognised as an expense against a liability in the estimated amount in the service year. The liability from the cash-settled share-based payment part is recognised in the balance sheet under 'Other liabilities'. The liability from the employee benefit part is recognised in the balance sheet under 'Provisions'. The expenses including any subsequent adjustments to the liability reflecting the decisions about the actual amount of the bonuses, fulfilment of performance conditions and share price changes are presented in the statement of income under 'Personnel expenses'.

Further details about the bonus program and relevant disclosures about can be found in Note 50 Related-party transaction and principal shareholders, section 'Performance-linked remuneration'.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. On the balance sheet, provisions are reported under the line item 'Provisions'. They include credit risk loss provisions for contingent liabilities (particularly financial guarantees and loan commitments) as well as provisions for litigation and restructuring. Expenses or income related to provisions are reported in the statement of income under the line item 'Other operating result'.

Levies

Erste Group recognises a liability or a provision for the levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

Income taxes

i. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those enacted by the balance sheet date.

ii. Deferred tax

Deferred tax is recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts as of the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilised. Deferred taxes are not recognised on temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the temporary difference is reversed or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at balance sheet date and are expected to apply when the temporary differences are reversed. For subsidiaries, the local tax environments apply.

Deferred tax relating to items recognised in other comprehensive income is recognised in other comprehensive income and not in the statement of income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to offset exists and the deferred taxes relate to the same taxation authority.

Treasury shares and contracts on treasury shares

Equity instruments of Erste Group that it or any of its subsidiaries acquire (referred to as treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of Erste Group's own equity instruments, including transaction costs, is recognised directly in equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of its own equity instruments.

Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of Erste Group.

Dividends on own equity instruments

Dividends on own equity instruments are recognised as a liability and deducted from equity when their payment is confirmed by the Annual General Meeting.

Items of the statement of income

The description and recognition criteria of the line items reported in the statement of income are as follows:

i. Net interest income

Net interest income is broken down into line items of interest income, other similar income, interest expenses and other similar expenses. The distinguishing factor is whether the EIR method is mandatorily applied for recognition of interest income or expense in accordance with IFRS 9.

'Interest income' relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income. It is calculated using the EIR method as discussed in chapter 'Financial instruments', 'Measurement methods for financial instruments', part 'i. Amortised cost and effective interest rate'.

'Other similar income' captures interest-like sources of income resulting from non-derivative financial assets measured at fair value through profit or loss, held-for-trading derivatives, hedge accounting derivatives, finance lease receivables and negative interest on financial liabilities.

‘Interest expenses’ relates to interest expense from financial liabilities measured at amortised cost calculated using effective interest rate as discussed in chapter ‘Financial instruments’, ‘Measurement methods for financial instruments’, part (i) Amortised cost and effective interest rate.

‘Other similar expenses’ capture interest-like sources of expense resulting from non-derivative financial liabilities measured at fair value through profit or loss, held-for-trading derivatives, hedge accounting derivatives, negative interest on financial assets, provisions recognised under IFRS 9 and IAS 37 (unwinding of the time value of the money effect due to passage of time) and net defined liability (net interest cost on severance payment, pension and jubilee obligations) under IAS 19.

As regards types of financial instruments, interest income and other similar income include interest income on loans and advances to banks and customers, on cash balances, and on debt securities in all measurement categories of financial assets. Interest expenses and other similar expenses include interest paid on deposits from customers, deposits from banks, debt securities issued and other financial liabilities in all measurement categories of financial liabilities. Net interest income also includes interest on derivative financial instruments.

Interest income also includes modification gains and losses recognised on financial assets in Stage 1 Further, the unamortised balance of the origination fees/transaction costs upon derecognition of assets in Stage 1 and 2 considered in the effective interest rate is presented as interest income at the derecognition date.

In the comparative period, other similar income and expenses are not distinguished from the interest income and interest expenses.

ii. Net fee and commission income
Erste Group earns fee and commission income from a diverse range of services that it provides to its customers. The determination of the timing and amount of income recognition follows the five step model of IFRS 15.

Fee and commission income is measured based on the consideration specified in the contract with a customer. Erste Group recognises revenue when it transfers control over a service to a customer.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commitment fees, guarantee fees and other fees from lending business, commission income from asset management, custody and other management and advisory fees as well as fees from insurance brokerage, building society brokerage and foreign exchange transactions. Payment services partly include fees for services satisfied over a period of time like periodic card fees.

Fee income earned from providing transaction services, such as arranging the acquisition of shares or other securities or the purchase or sale of businesses, is recognised upon completion of the underlying transaction. Payment services partly include transaction based fees like withdrawal fees.

A contract with a customer that results in a recognised financial instrument in the Group’s financial statement may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then Erste Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Fees and commission income that are integral to the effective interest rate of a financial instrument are in the scope of IFRS 9 and are included in the effective interest rate.

iii. Dividend income
Dividend income is recognised when the right to receive the payment is established. This line item includes dividends from all shares and other equity investments, i.e. from those that are held for trading, non-trading equity instruments at FVPL and at FVOCI.

iv. Net trading result
Results arising from trading activities include all gains and losses from changes in the fair value (clean price) of financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments. The net trading result also includes any ineffective portions recorded in fair value and cash flow hedge transactions as well as foreign exchange gains and losses on all monetary assets and liabilities.

v. Gains/losses from financial instruments measured at fair value through profit or loss
Changes in fair value (clean price) of non-trading financial assets at fair value through profit or loss, including gains and losses on their derecognition, are presented under this line item. This concerns both non-trading financial assets designated and those mandatorily measured at FVPL. Gains and losses (clean price) of financial liabilities designated at FVPL, including gains and losses on their derecognition, are also presented under this line item. However, the fair value changes resulting from credit risk of the liability are recognised in OCI. In the comparative period this line item includes only changes in fair value (clean price, including the effect of credit risk of the liability) of financial assets and liabilities designated at FVPL.

vi. Net result from equity method investments

The line item contains result from associates and joint ventures recorded by applying the equity method (measured as the investor's share of profit or loss in the associates and joint ventures). However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'.

vii. Rental income from investment properties and other operating leases

Rental income from investment properties and other operating leases is recognised on a straight-line basis over the lease term.

viii. Personnel expenses

Personnel expenses include wages and salaries, bonuses, statutory and voluntary social security contributions, staff-related taxes and levies. They also include service costs for severance payments, pension and jubilee obligations and remeasurements of jubilee obligations. Furthermore, restructuring provisions expenses may be part of personnel expenses.

ix. Other administrative expenses

Other administrative expenses include primarily information technology expenses, expenses for office space, office operating expenses, advertising and marketing, and expenditures for legal and other consultants. Furthermore, the line item contains deposit insurance contributions expenses. Restructuring provisions expenses may also be presented in other administrative expenses.

x. Depreciation and amortisation

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets.

xi. Gains/losses from derecognition of financial assets measured at amortised cost

This line item includes selling and other derecognition gains or losses on financial assets measured at amortised cost. However, if such gains/losses relate to derecognition of financial assets in Stage 3, they are included in the line item 'Impairment result from financial instruments'.

xii. Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss

This line item includes selling and other derecognition gains or losses on financial assets at FVOCI, financial liabilities measured at amortised cost and other financial instruments not measured at FVPL, such as finance lease receivables or financial guarantees. However, if such gains/losses relate to financial assets in Stage 3 they are included in the line item 'Impairment result from financial instruments'.

xiii. Impairment result from financial instruments

Net impairment losses on financial instruments comprise impairment losses and reversals of impairment on all kinds of financial instruments, to which the IFRS 9 expected credit loss impairment model applies. The impairment result also includes recoveries on written-off financial assets. Modification gains and losses recognised on financial assets in Stage 2 and Stage 3 and POCI assets are also presented as the impairment result. Moreover, gains/losses from derecognition of financial assets in Stage 3 and POCI assets are included as part of the impairment result.

xiv. Other operating result

Other operating result reflects all other income and expenses not directly attributable to Erste Group's ordinary activities. Furthermore, levies on banking activities are considered as part of the other operating result.

Other operating result includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment and intangible assets. Also included here are any impairment losses on goodwill.

In addition, other operating result encompasses the following: expenses for other taxes; income from the release of and expenses for allocations to provisions; impairment losses (and their reversal if any) as well as selling gains and losses on equity investments accounted for using the equity method; and gains or losses from derecognition of subsidiaries. In the comparative period, other operating result also included income from the release of and expenses for allocations to provisions for credit risk.

There are two additional line items in the statement of income that are relevant only for the comparative period:

xv. Gains/losses on financial assets and liabilities not measured at fair value through profit or loss, net in the comparative period

This line item includes selling and other derecognition gains or losses on available-for-sale and held-to-maturity financial assets, loans and receivables and financial liabilities measured at amortised cost. However, if such gains/losses relate to individually impaired financial assets they are included as part of the net impairment loss.

xvi. Net impairment loss on financial assets in the comparative period

Net impairment losses on financial assets comprise impairment losses and reversals of impairment on loans and receivables, held-to-maturity and available-for-sale financial assets. Net impairment losses relate to allowances recognised both at individual and portfolio (incurred but not reported) level. Direct write-offs are considered as part of impairment losses. This line item also includes recoveries on written-off loans removed from the balance sheet.

d) Significant accounting judgements, assumptions and estimates

The consolidated financial statements contain amounts that have been determined on the basis of judgements and by the use of estimates and assumptions. The estimates and assumptions used are based on historical experience and other factors, such as planning as well as expectations and forecasts of future events that are currently deemed to be reasonable. As a consequence of the uncertainty associated with these assumptions and estimates, actual results could in future periods lead to adjustments in the carrying amounts of the related assets or liabilities. The most significant uses of judgements, assumptions and estimates are as follows:

SPPI assessment

The assessment of whether the contractual cash flows of financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) is subject to the application of significant judgements which rely on the guidance in IFRS 9. These judgements are crucial in the IFRS 9 classification and measurement process as they determine whether the asset must be measured at FVPL or, depending on the business model assessment, at amortised cost or at FVOCI. When taking into consideration specific features of loans in the business of Erste Group, significant areas of judgement are prepayment fees, project financing loans and benchmark test for loans with interest mismatches features.

The assessment whether the prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments is based on comparing the level of the fees with the economic costs incurred by the bank upon the early termination. For these purposes, Erste Group uses a quantitative test where the costs relate to the lost interest margin and the lost interest differential due to a potential decrease in the interest rates upon early termination or prepayment. The adequacy of the fees can also be defended on a qualitative basis such as common market practice regarding level prepayment fees and their acceptance by authorities.

For project financing loans Erste Group assesses whether they represent basic loan agreements rather than investments in the financed projects. In this respect, credit rating, level of collateralisation, existing sponsor guarantees and the extent of equity funding of the financed projects are considered.

The most critical area of SPPI judgements in the business of Erste Group comprises loans with interest mismatch features. Interest mismatches relate to floating rate financial assets (loans and some debt securities, also referred to as 'deals') where: - the reference rate's (such as Euribor) tenor is different to the rate reset frequency (such as 3-year rate reset every year or interest rate 'basket' consisting of short and long-term interest rates reset every 3 month, also referred to as 'tenor mismatch'), - the interest rate is fixed prior to the start of the interest period (such as 3-month Euribor fixed 2 months before the interest period starts), or - time lags arise from average rates over previous periods or - combinations of these features. For this purpose, Erste Group has developed what is called a 'benchmark test' to assess whether the interest mismatch feature could result in contractual (undiscounted) cash flows that are significantly different from benchmark deal. Apart from the interest mismatch features, the terms of this benchmark deal correspond to the asset in the test (i.e. if the floating rate reset frequency is 3 months then the floating rate would be the 3-month Euribor and/or no time lag exists in the floating rate fixation).

For assets with interest mismatches resulting only from prior and average rates (i.e. no mismatches resulting from a tenor different from the reset frequency), SPPI compliance is considered to be met based on a qualitative assessment if the time lag between the fixation of the rate and the start of the interest period does not exceed one month.

The quantitative benchmark test is performed at the deal's initial recognition and uses 250 forward-looking simulations of future market interest rates over the life of the deal. Ratios between the simulated cash flows from the actual deal and the benchmark deal are calculated for each quarter (the 'periodic cash flow ratio'), and cumulatively over the life of the deal (the 'cumulative cash flow ratio'). The 5% of outcomes with the highest deviations are considered as extreme and are disregarded. The significance threshold for the periodic cash flow ratio is set to 10%. If simulated cash flows of the tested deal in a specific quarter are less than 1% of the total cash flows over the life of the deal ('de minimis threshold'), they are disregarded. For the cumulative cash flow ratio, the quantitative significance threshold is set to 5%. If any of the two significance thresholds is breached, the benchmark test is not passed, and the financial asset must be measured at fair value through profit or loss.

Generally, the quantitative benchmark test results are more sensitive to the level of the periodic quantitative significance threshold compared to the cumulative one. Decreasing the periodic cash flow ratio threshold to 5% could lead to a significant increase in the volume of loans measured at fair value through profit or loss. Erste Group does not consider that lowering the threshold would properly capture those interest mismatch features that should lead to FVPL measurement since, based on a quantitative study performed for this purpose, it could lead to fair value measurement even for loans that are generally deemed as basic lending agreements.

Upon transition to IFRS 9 for loans and debt securities assets with an overall carrying amount of around EUR 19 billion, the benchmark test was performed with respect to the interest conditions at their initial recognition. The carrying amount of loans with interest mismatch features which failed in the test and must be measured at FVPL is below EUR 150 million. For new business, no significant volumes with interest mismatch features failing the benchmark test are expected due to mitigating activities taken during the IFRS 9 implementation project aimed at the reduction of the volume of loans that are at risk of being measured at FVPL.

Business model assessment

For each SPPI-compliant financial asset at initial recognition, Erste Group must assess whether it is part of a business model where the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets, or they are held in other business models. As a consequence, the critical aspect in distinguishing the business models is frequency and significance of sales of assets in the respective business model. Since asset allocation to business models is based on the initial assessment, it may happen that in subsequent periods cash flows are realised differently than originally expected, and a different measurement method may seem to be appropriate. In accordance with IFRS 9, such subsequent changes do not generally lead to reclassifications or prior period error corrections in respect of existing financial assets. The new information on how cash flows are realised may, however, indicate that the business model, and thus the measurement method changes for newly acquired or newly originated financial assets.

At Erste Group, sales due to increases in credit risk, sales close to assets' maturity, infrequent sales triggered by a non-recurring event (such as changes in regulatory or tax environment, major internal reorganisation or a business combination, severe liquidity crisis, etc.) are considered as not contradicting the held to collect contractual cash flows business model. Other kinds of sales carried out in the 'held to collect' business model are assessed retrospectively, and if they exceed certain quantitative thresholds, or whenever it is considered necessary with regard to new expectations, Erste Group performs a prospective test. If the outcome was that the carrying amount of assets expected to be sold over the expected life of the current business model portfolio, for reasons other than the cases above, exceeds 10% of the carrying amount of the portfolio, any new acquisitions or originations of assets would be classified in a different business model.

Impairment of financial instruments

The expected credit loss impairment model is inherently based on judgement since it requires assessment of significant increases in credit risk and measurement of expected credit losses without providing detailed guidance. In respect of significant increases in credit risk, Erste Group has determined specific assessment rules consisting of qualitative information and quantitative thresholds. Another area of complexity relates to establishing groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at individual instrument level. Measurement of expected credit losses involves complex models relying on historical statistics of probabilities of default and loss rates in case of defaults, their extrapolations in case of insufficient observations, individual estimates of credit-adjusted cash flows and probabilities of various scenarios including forward-looking information. In addition, the life of the instruments has to be modelled in respect of behavioural life of revolving credit facilities.

Under the IAS 39 incurred loss impairment model used for the comparative period, Erste Group reviewed its financial assets not measured at fair value through profit or loss at each balance sheet date to assess whether an impairment loss should be recorded in the statement of income. In particular, this involved determining whether there is objective evidence of impairment as a result of a loss event occurring after initial recognition and estimating the amount and timing of future cash flows when determining an impairment loss.

Detailed disclosures about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 54 Risk management, part Credit risk. The development of loan loss provisions is described in Note 22 Financial assets at fair value through other comprehensive income, Note 27 Financial assets at amortised cost, and Note 28 Finance lease receivables. The development of loan loss provisions in the comparative period is included in Note 25 Loans and receivables to credit institutions and Note 26 Loans and receivables to customers.

Control

IFRS 10 'Consolidated Financial Statements' defines the investor's control over an investee in terms of the investor having all of the following:

- power to direct the relevant activities of the investee, i.e. activities that significantly affect the investee's returns;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Hence, assessing the existence of control under this definition may require considerable accounting judgements, assumptions and estimates, notably in non-standard situations such as:

- power stemming both from voting rights and from contractual arrangements (or mostly from the latter);
- exposure stemming both from on-balance investments and from off-balance commitments or guarantees (or mostly from the latter); or
- variable returns stemming both from readily identifiable income streams (e.g. dividends, interest, fees) and from cost savings, economies of scale and/or operational synergies (or mostly from the latter).

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for the assessment of the following cases:

i. The savings bank members of the Austrian cross-guarantee system (Haftungsverbund)

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date, all of Austria's savings banks, in addition to Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG, formed part of this cross-guarantee system. The provisions of the agreement governing the Haftungsverbund are implemented by the steering company Haftungsverbund GmbH. Erste Group Bank AG always holds directly and indirectly at least 51% of the voting rights of the steering company through Erste Bank der oesterreichischen Sparkassen AG and through savings banks in which the Group holds the majority of voting rights.

For all savings banks in which Erste Group holds less than 50% of the voting rights, an assessment of whether control is achieved through the provisions of the Haftungsverbund agreement has been performed.

Based on the contractual agreement, Haftungsverbund GmbH as the steering company is vested with the following substantive rights related to the savings banks:

- participation in the appointment of board members;
- approval of budgets including capital decisions;
- provision of binding guidelines in the areas of risk and liquidity management as well as internal audit; and
- determination of thresholds for capital requirement including the payment of dividends.

Furthermore, taking into account the magnitude of Erste Group's involvement with the member banks – whether in the form of synergies, investments, commitments, guarantees, or access to common resources – the Group has significant exposure to each of the member banks' variable returns. As Haftungsverbund GmbH is able to affect the variable returns through its power, it has been assessed that Haftungsverbund GmbH has control over the savings banks.

As Erste Group Bank AG controls the steering company, it exercises control over the members of the cross-guarantee system.

ii. Investment funds under own management

The Group has assessed whether the investment funds it manages through its asset management subsidiaries are controlled and hence shall be consolidated. This assessment has been made on the basis that power over such investment funds is generally conferred based on the contractual arrangements appointing an Erste Group subsidiary as fund manager without any substantive removal rights by fund's investors. Furthermore, Erste Group made the conclusive judgement that its exposure to such own-managed funds' variable returns is basically considered as significant if, additionally to the exposure through management fees, the Group is also exposed in the form of at least 20% investment in the fund. Furthermore, in its capacity as fund manager, Erste Group is also able to affect the returns of the funds through its power. Following this assessment, investment funds under own management in which the Group – directly or through its subsidiaries – has significant unit holdings are deemed to be controlled and included in the scope of consolidation.

iii. Pension funds under own management

The Group has assessed whether the contractual arrangements appointing an Erste Group subsidiary as pension fund manager (with no substantive removal rights by the fund's participants) are generally expected to confer power over such funds, followed by an assessment of the Group's exposure/rights to the pension fund's variable returns. The relevant legal requirements regulating the activities of such pension funds in their respective jurisdictions were also considered, notably in assessing the significance of the rights to variable returns from management fees, as well as of the exposure to losses from any guarantees that the fund manager may be legally bound to. As a result of this review, the Czech pension fund 'Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s' (the 'Transformed pension fund') is not consolidated. There are no further cases of application in Erste Group.

Significant influence

IAS 28 'Investments in Associates and Joint Ventures' defines significant influence as the power to participate in the financial and operating policy decisions of the investee without having control or joint control of those policies. Furthermore, IAS 28 indicates that if an entity holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that the entity has significant influence unless it can be clearly demonstrated that this is not the case.

In the case of Erste Group, all equity method investments are direct or indirect investments in associates and joint ventures over which the Group exercises significant influence or joint control stemming from voting power greater than 20% up to 50%.

Interests in structured entities

IFRS 12 'Interests in Other Entities' defines structured entities as entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only, and the relevant activities are directed by means of contractual arrangements. IFRS 12 defines the interests as contractual and non-contractual involvements exposing an entity to the variability of returns from the performance of the other entity.

Hence, assessing which entities are structured entities, and which involvements in such entities are interests, may require considerable accounting judgements and assumptions.

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for assessing involvements with securitisation vehicles and investment funds. In respect to securitisation vehicles, Erste Group assessed that on-balance or off-balance exposures to entities involved in securitisation activities meet the definition of interests in structured entities.

For investment funds, Erste Group reached the conclusion that direct Group exposure would typically indicate an interest in these structured entities, irrespective of whether such exposure comes from on-balance financial assets, off-balance commitments given or management fees varying in relation to the assets under management (for own-managed funds in general). In alignment with the accounting judgement described under the paragraph 'Investment funds under own management' above, own-managed funds where the Group cumulatively holds less than 20% of the related fund units in issue are not consolidated due to lack of control and thus are subject to specific disclosures for unconsolidated structured entities. All on-balance or off-balance exposures to investment funds – mostly in the form of units held in such funds – were considered as being interests in structured entities.

For the ensuing IFRS 12-driven disclosures applicable to structured entities, please refer to Note 34 Unconsolidated structured entities.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Using of unobservable inputs is particularly relevant for models used for valuations of loans and unquoted equity investments. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found in Note 56 Fair value of financial instruments. Based on an analysis carried out by Erste Group it was decided that for the valuation of OTC derivatives no Funding Value Adjustment (FVA) would be considered.

Impairment of non-financial assets

Erste Group reviews its non-financial assets at each balance sheet date to assess whether there is an indication of impairment loss that should be recorded in the statement of income. Furthermore, cash-generating units to which goodwill is allocated are tested for impairment on a yearly basis. Judgement and estimates are required to determine the value in use and fair value less costs of disposal by estimating the timing and amount of future expected cash flows and the discount rates. Assumptions and estimates used in the calculation of impairment of non-financial asset are described in the parts 'Business combinations and goodwill' and 'Impairment of non-financial assets (property and equipment, investment property, intangible assets)' in the Accounting Policies. Inputs used for goodwill impairment testing and their sensitivities can be found in Note 37 Intangible assets in the section 'Development of goodwill'.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. For this purpose a planning period of 5 years is used. Disclosures concerning deferred taxes are in Note 38 Tax assets and liabilities.

Defined benefit obligation plans

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumptions, estimates and sensitivities used for the defined benefit obligation calculations, as well as related amounts are disclosed in Note 44 Provisions: Long-term employee provisions.

Provisions

Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Provisions are disclosed in Note 44 Provisions, and further details on provisions for contingent credit liabilities in Note 54 Risk Management, part credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 60 Contingent liabilities.

e) Application of amended and new IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2018. As regards new standards and interpretations and their amendments, only those that are relevant for the business of Erste Group are listed below.

Effective standards and interpretations

The following standards, their amendments and interpretation have become mandatory for our financial year 2018, endorsed by the EU:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers including Amendments to IFRS 15: Effective date of IFRS 15

_ Clarifications to IFRS 15 Revenue from Contracts with Customers
_ Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions
_ Amendments to IAS 40: Transfers of Investment Property
_ Annual Improvements to IFRSs 2014-2016 Cycle (amendments to IAS 28 and IFRS 1)
_ IFRIC 22: Foreign Currency Transactions and Advance Consideration

The effects of application of IFRS 9 and IFRS 15 are decribed in chapter 'c) Accounting and measurement methods' above. Otherwise application of the above mentioned amendments and interpretation did not have a significant impact on Erste Group's financial statements.

Standards and interpretations not yet effective

The standards, amendments and interpretations shown below were issued by the IASB but are not yet effective.

Following standards, amendments and interpretations are already endorsed by the EU:
_ IFRS 16: Leases
_ Amendments to IFRS 9: Prepayment features with negative compensation
_ Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
_ IFRIC 23: Uncertainty over Income Tax Treatments

Following standards, amendments and interpretations have not yet been endorsed by the EU until 22 February 2019:
_ Amendments to IFRS 3: Definition of a Business
_ Amendments to IAS 1 and IAS 8: Definition of Material
_ Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
_ Annual Improvements to IFRSs 2015-2017 Cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)

IFRS 16: Leases. In January 2016, the IASB issued IFRS 16 which is effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces existing guidance for accounting for leases in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a lease, SIC-15 Operating leases – Incentives and SIC-27 Evaluation the Substance of Transactions Involving the Legal Form of a lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.

At inception date of a contract, the contract is assessed for whether it contains a lease, i.e. whether the contract conveys the right to control the use of an identified asset for a period of the time in exchange for a consideration. A right-of-use asset and a lease liability are recognised at the lease commencement date. It is initially measured at cost and subsequently depreciated from the commencement date to the earlier of the end of its useful life or the end of the lease term. Erste Group will use the straight-line method of depreciation.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, the exercise price under a purchase option and lease payments in an optional renewal period if the lessee is reasonably certain to exercise the options and penalties for early termination if the lease term reflects the lessee exercising the termination option.

Subsequently the carrying amount of the lease liability is increased by interest using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. For leases of movables by Erste Group entities the incremental borrowing rate will consist of a base rate, which is the Euribor, adjusted by a surcharge based on the entity's rating, the amount of funds borrowed, the term of the lease and the collateral provided. The determination of the incremental borrowing rate for property leases shall generally be based on a rate that is readily observable. Such a rate might be the property yield reflecting the annual return expected on the property. Further, an adjustment to the property yield is necessary to reflect specific features of an entity or the lease agreement (such as creditworthiness and lease term).

Lessor accounting remains similar to the current IAS 17 standard, i.e. the lessor continues to classify leases as finance or operating leases. Compared to IAS 17 the notes will be much more comprehensive under IFRS 16.

Erste Group will transit to IFRS 16 using the modified retrospective approach according to IFRS 16.C5 (b) whereby comparative information will not be restated. For leases previously classified as operating leases, the applicable discount rate will be the lessee's incremental borrowing rate determined at the date of initial application. The right-of-use asset will be recognised at an amount equal to the lease liability (IFRS 16.C8 (b)(ii)). As a result, Erste Group does not expect any impact on the equity at initial application. All contracts which were previously identified as leases applying IAS 17 and IFRIC 4 will be taken over into IFRS 16. Erste Group will not apply IFRS 16 to any leases on intangible assets. Erste Group will use the exemption for short term leases and leases of low value whereby the right-of-use-asset is not recognised. The analysis and planning of proper IT solutions for requirements of IFRS 16 have continued throughout 2017 and 2018. At the same time the contract analysis has been in focus. The role out of proper IT structure was realised during 2018.

Based on currently available information, Erste Group estimates at the transition date to IFRS 16 that the right of use assets and lease liabilities will increase the balance sheet by an amount of approximately EUR 500 million. The vast majority (more than 95%) of the lease contracts refer to real estate. The decrease of the CET 1 ratio is immaterial.

Amendments to IFRS 3: Definition of a Business. Amendments to IFRS 3 were issued in October 2018 and are effective for annual periods beginning on or after 1 January 2020. The amendments clarify the three elements, i.e. inputs, process and outputs in the definition of a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Also, the amendments include an optional concentration test to permit a simplified assessment of whether an acquired set of activities and assets is an asset acquisition rather than a business combination. The test is met if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IFRS 9: Prepayment features with negative compensation. Amendments to IFRS 9 were issued in October 2017 and are effective for annual periods beginning on or after 1 January 2019. The amendments clarify that the contractual terms of a debt instrument are payments of principal and interest even if the reasonable compensation for an early termination of the instrument is negative, i.e. it has to be paid by the creditor. Further, the amendments explain that the requirements for accounting for modification gains or losses also apply to cases when financial liabilities are modified or exchanged and this does not lead to their derecognition. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 1 and IAS 8: Definition Material. Amendments to IAS 1 and IAS 8 were issued in October 2018 and are effective for annual periods beginning on or after 1 January 2020. The amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement. Amendments to IAS 19 were issued in February 2018 and are effective for annual periods beginning on or after 1 January 2019. The amendments require that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures. Amendments to IAS 39 were issued in October 2017 and are effective for annual periods beginning on or after 1 January 2019. The amendments clarify that a company applies IFRS 9 Financial Instruments including its impairment requirements to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, but to which the equity method is not applied. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle. In December 2017, the IASB issued a set of amendments to various standards. The amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 are effective for annual periods beginning on or after 1 January 2019. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

IFRIC 23: Uncertainty over Income Tax Treatments. IFRIC 23 was issued in June 2017 and is effective for annual periods beginning on or after 1 January 2019. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. An entity is required to use judgement to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. If the entity concludes that it is not probable that a particular tax treatment is accepted by a taxation authority, the entity has to use the most likely amount or the expected value of the tax treatment. Otherwise the treatment used in the tax filings is applied. An entity has to reassess its judgements and estimates if facts and circumstances change. Application of the interpretation is not expected to have a significant impact on Erste Group's financial statements.

C. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND THE BALANCE SHEET OF ERSTE GROUP

1. Net interest income

in EUR million	1-12 17	1-12 18
Financial assets HtM	531.6	x
Loans and receivables	4,049.6	x
Financial assets at AC	x	4,955.4
Financial assets AfS	340.1	x
Financial assets at FVOCI	x	218.9
Interest income	x	5,174.3
Non-trading financial assets at FVPL	x	67.6
Financial assets HfT	622.2	1,570.4
Financial assets at FVPL	13.2	x
Hedge accounting derivatives, interest rate risk	-25.7	-20.5
Other assets	28.7	105.5
Negative interest from financial liabilities	64.9	49.5
Other similar income	x	1,772.6
Interest and other similar income	**5,624.4**	**6,946.9**
Financial liabilities at AC	-1,179.3	-1,003.4
Interest expenses	x	-1,003.4
Financial liabilities at FVPL	-52.4	-421.8
Financial liabilities HfT	-329.0	-976.0
Hedge accounting derivatives, interest rate risk	375.7	151.6
Other liabilities	-26.5	-26.5
Negative interest from financial assets	-59.9	-88.8
Other similar expenses	x	-1,361.5
Interest and other similar expenses	**-1,271.3**	**-2,364.9**
Net interest income	**4,353.2**	**4,582.0**

An amount of EUR 77.9 million relating to impaired financial assets is included in interest income. In addition modification gains or losses of financial instruments allocated to Stage 1 in the amount of EUR 1.8 million is reported in line item ‘Financial assets at AC’.

Since December 2014, important benchmark interest rates – particularly Euribor – turned negative. As Euro is the functional currency for Erste Group, this development affects the net interest income of the Group. The amounts relate to the interbank business and deposits with central banks only.

Starting with year 2018, interest components of trading book derivatives are disclosed in ‘Other similar income of financial assests HfT’ and ‘Other similar expenses of financial liabilities HfT’ under ‘Net interest income’. Until year-end 2017, interest from trading book derivatives was presented under line item ‘Net trading result’. The presentation was changed due to the harmonisation of the disclosure of all interest from derivative financial instruments irrespective of their organisational assignment to the trading book or banking book. The amendment had no impact on the ‘Net result for the period’ of Erste Group. As retrospective changes of the comparative figures were not possible, the comparative period 2017 has not been adjusted. For further details regarding the disclosure of interest income or expenses from derivative financial instruments please refer to chapter B. Significant accounting policies c) Accounting and measurement methods.

2. Net fee and commission income

in EUR million	1-12 17 Income	1-12 17 Expenses	1-12 18 Income	1-12 18 Expenses
Securities	251.5	-55.7	201.7	-43.7
Issues	37.9	-5.3	38.4	-11.5
Transfer orders	203.4	-47.0	152.3	-30.4
Other	10.2	-3.4	11.0	-1.8
Clearing and settlement	12.7	-5.5	5.2	-2.3
Asset management	384.0	-90.8	381.6	-57.8
Custody	102.8	-21.2	99.2	-21.4
Fiduciary transactions	3.4	0.0	3.0	0.0
Payment services	1,041.8	-167.0	1,118.3	-204.4
Card business	308.8	-122.2	342.9	-138.5
Other	733.0	-44.8	775.4	-65.9
Customer resources distributed but not managed	198.1	-20.5	199.2	-19.6
Collective investment	12.4	-0.1	13.5	-4.4
Insurance products	124.0	-3.7	142.2	-3.1
Building society brokerage	34.3	-14.5	15.6	-8.5
Foreign exchange transactions	24.8	-1.2	26.7	-1.4
Other	2.6	-0.9	1.1	-2.2
Structured finance	0.0	0.0	0.4	-0.2
Lending business	242.7	-90.1	261.2	-86.4
Guarantees given, guarantees received	63.8	-5.9	70.7	-3.7
Loan commitments given, loan commitments received	25.6	-1.3	27.1	-0.9
Other lending business	153.3	-83.0	163.4	-81.8
Other	92.5	-27.0	107.2	-32.8
Total fee and commission income and expenses	**2,329.4**	**-477.8**	**2,377.0**	**-468.6**
Net fee and commission income	**1,851.6**		**1,908.4**	

Asset management, custody and fiduciary transactions fees relate to fees earned by Erste Group on trust and other fiduciary activities in which Erste Group holds or invests assets on behalf of its customers and amount to EUR 404.6 million (2017: EUR 378.1 million). Net fee and commission income above include income of EUR 372.3 million relating to financial assets and financial liabilities not measured at FVPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

3. Dividend income

in EUR million	1-12 17	1-12 18
Financial assets HfT	0.7	2.0
Financial assets at FVPL	2.1	x
Non-trading financial assets at FVPL	x	16.1
Financial assets AfS	41.0	x
Financial assets at FVOCI	x	11.0
Dividend income	**43.7**	**29.0**

4. Net trading result

in EUR million	1-12 17	1-12 18
Securities and derivatives trading	-90.8	-219.0
Foreign exchange transactions	316.7	221.1
Result from hedge accounting	-3.1	-3.7
Net trading result	**222.8**	**-1.7**

Additional information relating to hedge accounting are described in Note 55 Hedge accounting.

5. Gains/losses from financial instruments measured at fair value through profit or loss

in EUR million	1-12 17	1-12 18
Result from measurement/sale of financial assets designated at FVPL	10.3	-14.6
Result from measurement/repurchase of financial liabilities designated at FVPL	-22.6	154.1
Result from financial assets and liabilities designated at FVPL	**-12.3**	**139.5**
Result from measurement/sale of financial assets mandatorily at FVPL	x	56.0
Gains/losses from financial instruments measured at fair value through profit or loss	**-12.3**	**195.4**

In the reporting period, a loss of EUR 13.5 million (before taxes) was transferred from own credit risk reserve to retained earnings due to the repurchase of debt securities (own issues) issued.

6. Rental income from investment properties & other operating leases

in EUR million	1-12 17	1-12 18
Investment properties	82.6	88.3
Other operating leases	111.6	101.1
Rental income from investment properties & other operating leases	**194.2**	**189.4**

7. General administrative expenses

in EUR million	1-12 17	1-12 18
Personnel expenses	**-2,388.6**	**-2,474.2**
Wages and salaries	-1,815.1	-1,880.9
Compulsory social security	-458.1	-460.3
Long-term employee provisions	-12.9	-28.0
Other personnel expenses	-102.4	-105.0
Other administrative expenses	**-1,309.6**	**-1,234.9**
Deposit insurance contribution	-82.8	-88.6
IT expenses	-425.9	-395.6
Expenses for office space	-243.4	-239.2
Office operating expenses	-117.2	-112.4
Advertising/marketing	-174.2	-175.5
Legal and consulting costs	-165.7	-134.4
Sundry administrative expenses	-100.3	-89.1
Depreciation and amortisation	**-460.0**	**-472.0**
Software and other intangible assets	-167.8	-184.0
Owner occupied real estate	-76.4	-73.4
Investment properties	-24.2	-25.5
Customer relationships	-8.6	-8.9
Office furniture and equipment and sundry property and equipment	-183.0	-180.3
General administrative expenses	**-4,158.2**	**-4,181.1**

Personnel expenses include expenses of EUR 43.9 million (2017:EUR 44.6 million) for defined contribution plans, of which EUR 1.3 million (2017: EUR 1.2 million) relate to members of the management board.

Employee Share Programme 2018

Under the Employee Share Programme 2018, Erste Group Bank AG has transferred treasury shares to employees of Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG and their majority-owned Austrian subsidiaries. The allocation happened under the condition that employees transfer their shares of Erste Group Bank AG to the Erste Mitarbeiterbeteiligung Privatstiftung and do not request the return of the shares until their employment contracts are terminated. Erste Group Bank AG limited the allocation of treasury shares to 10% of the shares transferred by each employee and up to a value of EUR 4,500 for each employee.

In 2018 Erste Group Bank AG allocated a total number of 52,909 treasury shares to employees and incurred personnel expenses in the amount of EUR 1.9 million. The share price of Erste Group Bank AG at the beginning of the registration period was EUR 34.99.

Average number of employees during the financial period (weighted according to the level of employment)

	1-12 17	1-12 18
Austria	**16,383**	**16,221**
Erste Group Bank AG, Erste Bank Oesterreich and subsidiaries	9,185	9,052
Haftungsverbund savings banks	7,198	7,169
Outside Austria	**31,276**	**31,312**
Česká spořitelna Group	10,248	10,148
Banca Comercială Română Group	7,102	7,228
Slovenská sporiteľňa Group	4,227	4,147
Erste Bank Hungary Group	3,099	3,130
Erste Bank Croatia Group	3,169	3,170
Erste Bank Serbia Group	1,029	1,094
Savings banks subsidiaries	1,181	1,192
Other subsidiaries and foreign branch offices	1,221	1,202
Total	**47,659**	**47,533**

8. Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net

in EUR million	1-12 17	1-12 18
Sale of financial assets AfS	147.6	x
Sale of financial assets HtM	2.7	x
Sale of L&R	4.8	x
Repurchase of financial liabilities at AC	1.3	x
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	**156.4**	**x**

The carrying amount of investments in equity instruments measured at cost that were sold in 2017 was EUR 0.9 million. The resulting gain on sale was EUR 0.6 million.

9. Gains/losses from derecognition of financial assets measured at amortised cost

in EUR million	1-12 17	1-12 18
Gains from sale of financial assets at AC	x	2.1
Losses from sale of financial assets at AC	x	-2.1
Gains/losses from derecognition of financial assets measured at amortised cost	**x**	**0.1**

10. Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss

in EUR million	1-12 17	1-12 18
Sale of financial assets at FVOCI	x	-3.5
Sale of financial lease receivables	x	0.0
Derecognition of financial liabilities at AC	x	9.1
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**x**	**5.7**

11. Net impairment loss on financial assets

in EUR million	1-12 17	1-12 18
Financial assets AfS	-27.1	x
Loans and receivables	-105.0	x
Allocation to risk provisions	-2,069.1	x
Release of risk provisions	1,851.9	x
Direct write-offs	-80.3	x
Recoveries recorded directly to the income statement	192.6	x
Financial assets HtM	0.1	x
Net impairment loss on financial assets	**-132.0**	**x**

12. Impairment result from financial instruments

in EUR million	1-12 17	1-12 18
Financial assets at FVOCI	x	3.5
Financial assets at AC	x	38.6
Net allocation to credit loss allowances	x	-71.5
Direct write-offs	x	-47.9
Recoveries recorded directly to the income statement	x	162.9
Modification gains or losses	x	-4.9
Finance lease receivables	x	10.6
Net allocation of credit loss allowances for loan commitments and financial guarantees given	x	6.6
Impairment result from financial instruments	**x**	**59.3**

13. Other operating result

in EUR million	1-12 17	1-12 18
Other operating expenses	**-747.9**	**-258.1**
Allocation to other provisions	-209.0	-76.6
Allocation to provisions for commitments and guarantees given	-329.3	x
Levies on banking activities	-105.7	-112.2
Banking tax	-63.2	-66.8
Financial transaction tax	-42.4	-45.4
Other taxes	-37.7	1.0
Recovery and resolution fund contributions	-65.8	-70.3
Impairment of goodwill	-0.5	0.0
Other operating income	**422.1**	**89.9**
Release of other provisions	75.4	89.9
Release of provisions for commitments and guarantees given	346.8	x
Result from properties/movables/other intangible assets other than goodwill	-40.6	-78.0
Result from other operating expenses/income	-91.1	-58.3
Other operating result	**-457.4**	**-304.5**

Operating expenses (including repair and maintenance) for investment properties not held for rental income totalled to EUR 0.5 million (2017: EUR 0.8 million). Operating expenses (including repair and maintenance) for investment properties held for rental income totalled to EUR 13.0 million (2017: EUR 12.5 million).

The amount of impairment loss on assets held for sale recognised in the 'Result from other operating expenses/income' is EUR 9.3 million (2017: EUR 1.0 million).

In line item 'Result from properties/moveables/other intangible assets other than goodwill' extraordinary expenses for the impairment of property plant and equipment, investment properties, intangible assets and foreclosed assets are included.
The main reasons for impairment losses to be recognized are summarized hereinafter:
- the intention to sell fixed assets and accordingly their re-measurement before reclassifying them based on IFRS 5,
- not fully occupied buildings that triggered a lower recoverable amount
- recurring measurement for foreclosed assets at the balance sheet date and
- recurring measurement for own used items of property at the balance sheet date and
- concessions and other intangibles for which measurable economic benefits are no longer expected in the future

Recovery and Resolution Fund
In the line 'Recovery and resolution fund contributions' contributions to the national resolution funds in amount of EUR 70.3 million (2017: EUR 65.8 million) are disclosed. The contributions are based on the European Recovery and Resolution Directive, which, inter alia, establishes a financing mechanism for the resolution of credit institutions. As a consequence, banks are required to contribute annually to a resolution fund, which in a first step is installed on a national level. According to these regulations, until 31 December 2024 the available financial means of the resolution funds shall reach at least 1% of the amount of covered deposits of all the credit institutions authorized within the European Union. Therefore the resolution funds have to be built over a period of 10 years, during which the contributions shall be spread out as even as possible unil the target level is reached.

Provision for litigations in Romania
As of 31 December 2018 a relase of provision is shown in the line 'Release of other provisions' for risks related to Romanian consumer protection claims Act amounting to EUR 23.8 million (2017: EUR 10.1 million).

Consequences of a negative reference rate in variable interest rate consumer loans in Austria
With regard to the legal disputes between a consumer organisation and banks in Austria on the consequences of a reference rate (such as the EURIBOR) being negative on the variable interest rate in loans to consumers, the Austrian Supreme Court has held in several judgments published in 2017 that banks are under a duty, in the case of variable-interest consumer loans where there exists no explicit contractual agreement with the customer as to a minimum interest rate, to pass on the negative reference rate to consumers. Based on analysis of the legal situation before these landmark decisions were handed down, Erste Group's Austrian member banks had so far taken the view that they are entitled to floor the interest rate in such consumer loans in EUR at the agreed margin. In mid-July 2017, the Supreme Court has published a decision in a case by a consumer organisation against a competitor bank regarding consumer credits which contain explicitly a flooring of the reference rate EURIBOR at zero in case of the EURIBOR being negative. This ruling established that a bank is not permitted to stipulate in a consumer credit a flooring of the interest rate at the margin if it does not also provide for an upper limit as well. Erste Group's Austrian member banks have typically used such floor clauses without a cap in their variable interest rate credit contracts since 2013 and calculated interest accordingly. Erste Group's Austrian banks have honored in full the impact of the legal clarifications by the Supreme Court and reimbursed its retail customers the amount of interest which was overcharged. Reimbursed interest relating to the interest period until 30 June 2017 amounted to EUR 45 million and was recognised in the line item 'Allocations to other provisions' as of 31 December 2017 accordingly.

14. Taxes on income

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years and the change in deferred taxes.

in EUR million	1-12 17	1-12 18
Current tax expense/income	-364.8	-415.0
current period	-399.7	-424.4
prior period	35.0	9.4
Deferred tax expense/income	-45.3	82.5
current period	3.9	78.1
prior period	-49.2	4.5
Total	**-410.1**	**-332.4**

The following table reconciles the income taxes reported in the income statement to the pre-tax result from continuing operations multiplied by the nominal Austrian tax rate.

in EUR million	1-12 17	1-12 18
Pre-tax result from continuing operations	2.077,8	2.495,0
Income tax expense for the financial year at the Austrian statutory tax rate (25%)	-519,4	-623,7
Impact of different foreign tax rates	115,3	139,2
Impact of tax-exempt earnings of investments and other tax-exempt income	97,9	161,9
Tax increases due to non-deductible expenses, additional business tax and similar elements	-153,1	-124,8
Impact on deferred taxes from topics on Group level	-9,2	-18,8
Tax loss carry-forward non-recoverable at the end of the prior period, reducing the current tax expense for the current period	17,1	7,2
Current period's impairment of DTA recognized in prior periods through P&L	-3,5	-2,7
Current period's recognition/reversal of impairment through P&L of DTA non-recoverable at the end of the prior period	171,7	187,6
Impact of current non-recoverable fiscal losses and temporary differences for the year	-140,4	-69,3
Tax expense/income not attributable to the reporting period	17,8	28,2
Tax expense/income from changes of the tax rate or the imposition of new taxes	-0,2	0,0
Tax expense/income attributable to other effects	-3,9	-17,4
Total	**-410,1**	**-332,4**

The following table shows the income tax effects relating to each component of other comprehensive income:

	1-12 17			1-12 18		
in EUR million	Pre-tax amount	Income tax	Net-of-tax amount	Pre-tax amount	Income tax	Net-of-tax amount
AfS reserve	-184.6	45.2	-139.4	x	x	x
Fair value reserve of equity instruments	x	x	x	36.7	-6.4	30.4
Fair value reserve of debt instruments	x	x	x	-152.3	33.1	-119.2
Own credit risk reserve	x	x	x	226.9	2.8	229.7
Cash flow hedge reserve	-105.3	22.1	-83.2	-2.9	2.4	-0.5
Remeasurement of defined benefit plans	-7.4	6.7	-0.6	-127.4	-10.4	-137.8
Currency reserve	237.6	0.0	237.6	-72.1	0.0	-72.1
Other comprehensive income	**-59.6**	**74.0**	**14.4**	**-91.0**	**21.4**	**-69.5**

Taxes on income within other comprehensive income are influenced by the consideration of impairment effects allocated against OCI-related deferred tax assets. The allocation of such impairment effects is based on Erste Group's methodology of deferred tax assets impairment allocation per P&L and OCI. This approach proportionately reflects how the underlying temporary differences arose from IFRS-based adjustments of the accounting values of the related items.

Besides, the income tax related to the fair value reserve and the cash flow hedge reserve is influenced by differences of tax rates applicable on contrary changes within the fair value reserve.

15. Appropriation of profit

In the reporting period, Erste Group Bank AG posted a post-tax profit of EUR 937.0 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2017: EUR 954.5 million post-tax profit). The equity increased accordingly.

A dividend distribution amounting to EUR 1.40 per share will be proposed at the forthcoming annual general meeting of Erste Group Bank AG (2017: EUR 1.20 per share dividend distribution).

16. Cash and cash balances

in EUR million	Dec 17	Dec 18
Cash on hand	4,303	5,688
Cash balances at central banks	16,466	10,853
Other demand deposits at credit institutions	1,028	1,009
Cash and cash balances	**21,796**	**17,549**

A part of 'Cash balances at central banks' represents the mandatory minimum reserve requirement deposits which amounted to EUR 3,255.7 million (2017: EUR 3,598.8 million) at the reporting date. The mandatory minimum reserve requirement is calculated from defined balance sheet items and has to be fulfilled in average through an extended period of time. Therefore, the mandatory minimum reserve requirement deposits are not subject to any restraints.

17. Derivatives held for trading

	Dec 17			Dec 18		
in EUR million	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**177.692**	**3.433**	**3.063**	**179.098**	**3.011**	**2.871**
Interest rate	115.445	2.929	2.611	114.275	2.544	2.453
Equity	494	5	2	330	8	10
Foreign exchange	61.294	496	443	63.941	432	405
Credit	403	2	7	341	7	3
Commodity	56	0	0	11	0	0
Other	0	0	0	199	21	0
Derivatives held in the banking book	**30.555**	**795**	**958**	**28.035**	**1.191**	**331**
Interest rate	15.069	526	731	16.597	1.077	152
Equity	2.990	127	59	5.501	77	76
Foreign exchange	11.580	102	153	5.335	32	100
Credit	436	15	14	382	5	3
Commodity	2	0	0	0	0	0
Other	479	25	1	220	1	0
Total gross amounts	**208.247**	**4.228**	**4.021**	**207.133**	**4.202**	**3.202**
Offset		-895	-1.087		-1.165	-1.202
Total		**3.333**	**2.934**		**3.037**	**2.000**

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via Clearing Houses. These derivatives and related cash margin balances fulfil the requirements for balance sheet offsetting. For more details on balance sheet offsetting please refer to Note 53 Offsetting of financial instruments.

18. Other financial assets held for trading

in EUR million	Dec 17	Dec 18
Equity instruments	129	68
Debt securities	2,887	2,479
General governments	2,167	1,698
Credit institutions	507	540
Other financial corporations	41	68
Non-financial corporations	172	172
Other financial assets held for trading	**3,016**	**2,547**

19. Financial assets at fair value through profit or loss

in EUR million	Dec 17	Dec 18
Equity instruments	140	x
Debt securities	400	x
General governments	68	x
Credit institutions	281	x
Other financial corporations	52	x
Loans and advances	3	x
Financial assets at fair value through profit or loss	**543**	**x**

20. Non-trading financial assets at fair value through profit or loss

in EUR million	Dec 18 Designated	Dec 18 Mandatorily
Equity instruments	0	372
Debt securities	672	1,979
General governments	188	565
Credit institutions	424	296
Other financial corporations	60	973
Non-financial corporations	0	146
Loans and advances to customers	0	287
General governments	0	8
Other financial corporations	0	15
Non-financial corporations	0	102
Households	0	161
Financial assets designated and mandatorily at FVPL	**672**	**2,638**
Non-trading financial assets at fair value through profit or loss		**3,310**

Erste Group has designated debt securities at FVPL. The maximum exposure to credit risk on these securities is its fair value. At the reporting date the change in fair value that is attributable to changes in credit risk amounts to EUR -3.0 million cumulatively and EUR -2.4 million for the reporting period.

21. Financial assets available for sale

in EUR million	Dec 17	Dec 18
Equity instruments	1,164	x
Debt securities	14,896	x
General governments	10,090	x
Credit institutions	1,922	x
Other financial corporations	724	x
Non-financial corporations	2,161	x
Financial assets available for sale	**16,060**	**x**

In 2017, valuation models for unquoted equity instruments were developed as part of the IFRS 9 implementation. As a result, equity instruments previously valued at cost were measured at fair value as of 31 December 2017. The valuation at fair value resulted in gains of EUR 11.8 million.

22. Financial assets at fair value through other comprehensive income

Equity instruments

The carrying amount of Erste Group's equity instruments at FVOCI as at 31. December 2018 amounts to EUR 238.9 million, the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 172.2 million. During the year 2018, the sales of such instruments amounted to EUR 52 million and were triggered by strategic business decisions. The cumulative gain (net of tax) that was transferred from accumulated other comprehensive income into retained earnings upon such sales amounted to EUR 42.1 million.

Debt instruments

Gross carrying amounts and credit loss allowances per impairment buckets

	Gross carrying amount				Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Accumulated fair value changes	Fair value
Dec 18										
Debt securities	**8,724**	**104**	**0**	**8,827**	**-8**	**-2**	**0**	**-10**	**206**	**9,033**
Central banks	5	0	0	5	0	0	0	0	0	5
General governments	6,685	8	0	6,693	-3	0	0	-3	164	6,857
Credit institutions	894	17	0	911	-3	0	0	-3	9	921
Other financial corporations	175	6	0	182	0	0	0	-1	4	186
Non-financial corporations	965	72	0	1,037	-2	-2	0	-4	28	1,065
Total	**8,724**	**104**	**0**	**8,827**	**-8**	**-2**	**0**	**-10**	**206**	**9,033**

As defined in IFRS 9, the gross carrying amount of debt instruments at FVOCI equals the amortised cost before deducting any credit loss allowances. There are no purchased or originated credit-impaired (POCI) debt securities at FVOCI as of 31 December 2018.

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 18						Dec 18
Stage 1	-12	-2	1	0	4	0	-8
Stage 2	-1	0	0	-1	0	0	-2
Stage 3	0	0	0	0	0	0	0
Total	**-13**	**-2**	**1**	**-1**	**4**	**0**	**-10**

In column ‘Additions’ increases of CLA due to the initial recognition of debt securities at FVOCI during the current reporting period are disclosed. Releases of CLA following the derecognition of the related debt securities at FVOCI are reported in column ‘Derecognitions’.

In column ‘Transfers between stages’ CLA net changes due to changes in credit risk that triggered re-assignments of the related FVOCI debt securities from Stage 1 (at 1 January 2018 or initial recognition date) to Stages 2 or 3 at 31 December 2018 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’. Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’.

One significant driver of the above presented CLA movements for the year has been the transfer of the related instruments across different stages. The year-end GCAs of FVOCI debt securities that were assigned at 31 December 2018 to a different stage compared to 1 January 2018 (or to the initial recognition date, if purchased during the year) are summarized in the table below:

in EUR million	Dec 18
Transfers between Stage 1 and Stage 2	
To Stage 2 from Stage 1	85
To Stage 1 from Stage 2	67

23. Financial assets held to maturity

	Gross carrying amount		Collective allowances		Net carrying amount	
in EUR million	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18
General governments	18,074	x	-2	x	18,072	x
Credit institutions	1,279	x	-1	x	1,279	x
Other financial corporations	125	x	0	x	125	x
Non-financial corporations	325	x	-1	x	325	x
Financial assets held to maturity	**19,804**	**x**	**-3**	**x**	**19,800**	**x**

24. Securities

	Dec 17					Dec 18				
			Financial assets					Financial assets		
in EUR million	Loans and receivables	Trading assets	At FVPL	AfS	HtM	At AC	Trading assets	Mandatorily at FVPL	Designated at FVPL	At FVOCI
Bonds and other interest-bearing securities	**146**	**2,887**	**400**	**14,896**	**19,800**	**26,050**	**2,479**	**1,979**	**672**	**9,033**
Listed	0	2,368	387	13,574	18,921	24,534	1,788	1,286	599	7,577
Unlisted	146	519	14	1,323	879	1,516	691	694	73	1,456
Equity-related securities	**0**	**129**	**140**	**1,164**	**0**	**x**	**68**	**372**	**x**	**239**
Listed	0	99	15	655	0	x	64	121	x	96
Unlisted	0	29	125	509	0	x	4	252	x	142
Total	**146**	**3,016**	**540**	**16,060**	**19,800**	**26,050**	**2,547**	**2,352**	**672**	**9,272**

Starting with 2018 investment funds units are reported within bonds and other interest bearing securities. As of December 31, 2017 they were disclosed under equity-related securities.

Held-to-maturity financial assets include bonds and other interest-bearing securities that are quoted in active markets and are intended to be held to maturity. Securities lending and repurchase transactions are disclosed in Note 52 Transfers of financial assets – repurchase transactions and securities lending.

During the financial year 2017, bond investments with a carrying amount of EUR 182.8 million were reclassified from the category Financial assets – held to maturity to Financial assets – available for sale, of which EUR 182.8 million was sold up to year-end. Consequently, a total net effect of EUR 1.4 million was recognised in the income statement for the year 2017.

25. Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
Dec 17				
Debt securities	102	0	-1	101
Central banks	0	0	0	0
Credit institutions	102	0	-1	101
Loans and receivables	9,031	-2	-4	9,025
Central banks	5,864	0	0	5,864
Credit institutions	3,167	-2	-4	3,161
Total	**9,133**	**-2**	**-5**	**9,126**

Allowances for loans and receivables to credit institutions

in EUR million	Dec 16	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes	Dec 17	Amounts written off	Recoveries of amounts previously written off
Specific allowances	**-2**	**0**	**0**	**0**	**0**	**0**	**-2**	**-5**	**5**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and receivables	-2	0	0	0	0	0	-2	-5	5
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	0	0	0	-2	-5	5
Collective allowances	**-5**	**-9**	**0**	**9**	**0**	**1**	**-4**	**0**	**0**
Debt securities	-1	-1	0	1	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	-1	0	1	0	0	-1	0	0
Loans and receivables	-5	-8	0	8	0	1	-3	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-5	-8	0	8	0	1	-4	0	0
Total	**-7**	**-10**	**0**	**10**	**0**	**1**	**-6**	**-5**	**5**

26. Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
Dec 17				
Debt securities with customers	47	0	-1	46
General governments	8	0	0	7
Other financial corporations	0	0	0	0
Non-financial corporations	39	0	-1	38
Loans and advances to customers	143,462	-3,272	-704	139,487
General governments	7,001	-2	-14	6,985
Other financial corporations	3,698	-105	-17	3,576
Non-financial corporations	62,594	-1,767	-413	60,414
Households	70,169	-1,398	-260	68,511
Total	**143,509**	**-3,272**	**-705**	**139,532**

Allowances for loans and receivables to customers

in EUR million	Dec 16	Allocations	Use	Releases	Interest income from impaired loans	Exchange-rate and other changes	Dec 17	Amounts written off	Recoveries of amounts previously written off
Specific allowances	**-3,887**	**-1,503**	**816**	**1,270**	**70**	**-38**	**-3,272**	**-76**	**187**
Debt securities with customers	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0
Loans and advances to customers	-3,887	-1,503	816	1,270	70	-38	-3,272	-76	187
General governments	-6	0	0	4	0	0	-2	0	0
Other financial corporations	-94	-48	11	20	2	4	-105	0	0
Non-financial corporations	-2,207	-815	530	705	33	-13	-1,767	-53	119
Households	-1,580	-640	275	540	34	-28	-1,398	-23	68
Collective allowances	**-726**	**-557**	**0**	**572**	**0**	**6**	**-705**	**0**	**0**
Debt securities with customers	-1	0	0	0	0	0	-1	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	-1	0	0
Loans and advances to customers	-725	-556	0	572	0	5	-704	0	0
General governments	-13	-10	0	9	0	0	-14	0	0
Other financial corporations	-23	-16	0	20	0	2	-17	0	0
Non-financial corporations	-401	-284	0	275	0	-2	-413	0	0
Households	-288	-246	0	267	0	7	-260	0	0
Total	**-4,613**	**-2,060**	**816**	**1,842**	**70**	**-32**	**-3,977**	**-76**	**187**

27. Financial assets at amortised cost

Debt securities at amortised cost

Gross carrying amounts and credit loss allowances per impairment buckets

	Gross carrying amount				Credit loss allowances				
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Carrying amount
Dec 18									
Central banks	12	0	0	12	0	0	0	0	12
General governments	22,373	26	1	22,400	-4	0	0	-4	22,396
Credit institutions	2,752	1	0	2,752	-1	0	0	-1	2,751
Other financial corporations	144	1	0	145	0	0	0	0	145
Non-financial corporations	739	7	3	749	-1	0	-2	-3	746
Total	**26,020**	**34**	**4**	**26,059**	**-6**	**0**	**-2**	**-8**	**26,050**

There are no purchased or originated credit-impaired (POCI) debt securities at AC as of 31 December 2018.

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 18						Dec 18
Stage 1	-6	-1	0	0	1	0	-6
Stage 2	-3	-2	2	0	3	0	0
Stage 3	0	0	0	0	-2	0	-2
Total	**-9**	**-3**	**3**	**0**	**1**	**0**	**-8**

In column 'Additions' increases of CLA due to the initial recognition of debt securities at AC during the current reporting period are disclosed. Releases of CLA following the derecognition of the related debt securities at AC are reported in column 'Derecognitions'.

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related AC debt securities from Stage 1 (at 1 January 2018 or initial recognition date) to Stages 2 or 3 at 31 December 2018 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'.

The year-end total GCAs of AC debt securities that were initially recognized (purchased) during the year 2018 and not fully derecognized by 31 December 2018 amounts to EUR 4,142.0 million. The GCA of AC debt securities that were held at 1 January 2018 and derecognized during the year 2018 amounts to EUR 1,465.7 million.

Loans and advances to banks at amortised cost

Gross carrying amounts and credit loss allowances per impairment buckets

	Gross carrying amount				Credit loss allowances				
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Carrying amount
Dec 18									
Central banks	14,939	0	0	14,939	0	0	0	0	14,938
Credit institutions	3,956	215	2	4,172	-2	-3	-2	-8	4,165
Total	**18,894**	**215**	**2**	**19,111**	**-3**	**-3**	**-2**	**-8**	**19,103**

There are no purchased or originated credit-impaired (POCI) AC loans and advances to banks at 31 December 2018.

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 18						**Dec 18**
Stage 1	-5	-21	18	1	4	1	-3
Stage 2	0	-2	2	-2	-1	0	-3
Stage3	-2	0	0	0	-1	0	-2
Total	**-8**	**-24**	**21**	**-1**	**3**	**1**	**-9**

In column ‘Additions’ increases of CLA due to the initial recognition of loans and advances to banks at AC during the current reporting period are disclosed. Releases of CLA following the derecognition of the related loans and advances to banks at AC are reported in column ‘Derecognitions’.

In column ‘Transfers between stages’ CLA net changes due to changes in credit risk that triggered re-assignments of the related AC loans and advances to banks from Stage 1 at 1 January 2018 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2018 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable (incremental year-on-year releases) and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different impairment stages. The year-end GCAs of AC loans and advances to banks that were assigned at 31 December 2018 to a different stage compared to 1 January 2018 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between Stage 1 and Stage 2

in EUR million	Dec 18
To Stage 2 from Stage 1	198
To Stage 1 from Stage 2	3

The year-end total GCA of AC loans and advances to banks that were initially recognized during the year 2018 and not fully de-recognized by 31 December 2018 amounts to EUR 15,754,5 million. The GCA of AC loans and advances to banks that were held as of 1 January 2018 and fully de-recognized during the year 2018 amounts to EUR 7,143.5 million.

Loans and advances to customers at amortised cost

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 18											
General governments	6,729	324	2	3	7,059	-16	-10	-2	0	-28	7,030
Other financial corporations	3,166	127	47	15	3,355	-8	-5	-40	-3	-56	3,298
Non-financial corporations	56,377	3,616	1,869	345	62,207	-169	-191	-1,133	-97	-1,590	60,617
Households	66,271	6,151	2,031	171	74,623	-128	-249	-1,166	-73	-1,615	73,008
Total	**132,544**	**10,217**	**3,949**	**533**	**147,243**	**-321**	**-455**	**-2,341**	**-173**	**-3,290**	**143,953**

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 18								Dec 18
Stage 1	**-345**	**-205**	**94**	**329**	**-196**	**2**	**1**	**-1**	**-321**
General governments	-16	-10	9	2	-1	0	0	0	-16
Other financial corporations	-17	-10	12	4	2	0	0	0	-8
Non-financial corporations	-181	-124	59	160	-84	1	0	1	-169
Households	-131	-61	14	163	-112	1	1	-2	-128
Stage 2	**-496**	**-95**	**77**	**-298**	**336**	**6**	**9**	**6**	**-455**
General governments	-26	0	8	-2	10	0	0	0	-10
Other financial corporations	-3	-12	7	-5	7	0	1	1	-5
Non-financial corporations	-217	-53	42	-117	142	4	0	8	-191
Households	-249	-29	20	-175	177	2	8	-3	-249
Stage 3	**-2,825**	**-89**	**260**	**-99**	**-154**	**10**	**539**	**16**	**-2,341**
General governments	-1	0	0	0	-1	0	0	0	-2
Other financial corporations	-89	0	19	-9	12	0	27	1	-40
Non-financial corporations	-1,449	-59	148	-39	-59	10	302	13	-1,133
Households	-1,286	-30	94	-51	-105	0	210	2	-1,166
POCI	**-210**	**0**	**39**	**0**	**-22**	**0**	**23**	**-4**	**-173**
Other financial corporations	-7	0	0	0	4	0	0	0	-3
Non-financial corporations	-108	0	31	0	-30	0	14	-4	-97
Households	-94	0	8	0	3	0	9	1	-73
Total	**-3,876**	**-388**	**471**	**-69**	**-35**	**17**	**573**	**18**	**-3,290**

In column 'Additions' increases of CLA due to the initial recognition of loans and advances to customers at AC during the current reporting period are disclosed. CLAs recognized against drawings from non-revolving loan commitments are deemed as additions for the purpose of presenting current period's movement in CLA. Therefore, additions in Stages 2 and 3 reflect transfers from Stage 1 having occurred between commitment and drawing dates of related credit facilities. Releases of CLA following the derecognition of the related loans and advances to customers at AC are reported in column 'Derecognitions'.

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related AC loans and advances to customers from Stage 1 at 1 January 2018 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2018 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable (incremental year-on-year releases) and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'. This column also captures the passage-of-time adverse effect ('unwinding correction') over the lifetime expected cash shortfalls of AC loans and advances to customers that were assigned to Stage 3 for any period throughout the year, as well as of any POCI loans and advances to customers. This adverse effect amounted to EUR 87.7 million cumulatively for the year 2018, which also reflects the unrecognized interest income out of the related AC loans and advances to customers throughout the year.

The column 'Insignificant modifications (net)' reflects the effect on CLA arising from contractual modifications of loans and advances to customers at AC which do not trigger their full derecognition. The use of CLA triggered by full or partial write-offs of AC loans and advances to customers is reported in column 'Write-offs'.
One significant driver of the CLA movements for the year has been the transfer of the related instruments across different impairment stages. The year-end GCA of AC loans and advances to customers that were assigned at 31 December 2018 to a different stage compared to 1 January 2018 (or to the initial recognition date, if originated during the year) are summarized below:

in EUR million	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	173	91	1	0	0	0	0	0
Other financial corporations	85	55	2	0	1	0	0	0
Non-financial corporations	1,855	1,467	133	102	227	11	83	16
Households	2,432	1,470	215	110	254	51	6	15
Total	**4,546**	**3,084**	**351**	**213**	**482**	**63**	**88**	**30**

The year-end total GCA of the AC loans and advances to customers that were initially recognized during the reporting period and not fully de-recognized by 31 December 2018 amounts to EUR 34,479.9 million. The GCA of the AC loans and advances to customers that were held at 1 January 2018 and fully de-recognized during the reporting period amounts to EUR 20,500.0 million.

The undiscounted amount of the lifetime expected credit losses considered in the initial measurement of the AC loans and advances to customers initially recognized and identified as POCI during the year 2018 amounted to EUR 44.4 million.

28. Finance lease receivables

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 18											
General governments	387	1	19	0	407	-2	0	-1	0	-3	405
Credit institutions	2	0	0	0	2	0	0	0	0	0	2
Other financial corporations	62	0	0	0	63	0	0	0	0	0	62
Non-financial corporations	2,415	73	253	0	2,742	-12	-2	-124	0	-139	2,604
Households	669	19	12	0	700	-3	-1	-6	0	-10	690
Total	**3,535**	**94**	**284**	**0**	**3,914**	**-18**	**-3**	**-130**	**0**	**-151**	**3,763**

Movement in credit loss allowances

in EUR million	As of	Additions	Charge-offs	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 18								**Dec 18**
Stage 1	-18	-6	1	9	-8	0	0	5	-18
Stage 2	-4	-1	0	-2	3	0	0	1	-3
Stage3	-149	-1	1	-4	13	0	10	-1	-130
POCI	-1	0	0	0	1	0	0	0	0
Total	**-172**	**-7**	**2**	**3**	**9**	**0**	**10**	**4**	**-151**

In column ‘Additions’ increases of CLA due to the initial recognition of finance lease receivables during the current reporting period are disclosed. Releases of CLA following the derecognition of the related finance lease receivables are reported in column ‘Derecognitions’.

In column ‘Transfers between stages’ CLA net changes due to changes in credit risk that triggered re-assignments of the related finance lease receivables from Stage 1 as of 1 January 2018 or initial recognition date to Stages 2 or 3 as of 31 December 2018 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’. This column also captures the passage-of-time adverse effect (‘unwinding correction’) over the lifetime expected cash shortfalls of finance lease receivables that were assigned to Stage 3 for any period throughout the year, as well as of any POCI finance lease receivables. This adverse effect amounted to EUR 5 million cumulatively for the year 2018, which also reflects the unrecognized interest income out of the related finance lease receivables throughout the year.

The column ‘Insignificant modifications (net)’ reflects the effect on CLA arising from contractual modifications of finance lease receivables which do not trigger their full derecognition. The use of CLA triggered by full or partial write-offs of finance lease receivables is reported in column ‘Write-offs’.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across impairment stages. The year-end GCA of finance lease receivables that were assigned at 31 December 2018 to a different stage compared to 1 January 2018 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

in EUR million	Dec 18
Transfers between Stage 1 and Stage 2	
To Stage 2 from Stage 1	68
To Stage 1 from Stage 2	74
Transfers between Stage 2 and Stage 3	
To Stage 3 from Stage 2	7
To Stage 2 from Stage 3	1
Transfers between Stage 1 and Stage 3	
To Stage 3 from Stage 1	9
To Stage 1 from Stage 3	44

The year-end total GCA of the finance lease receivables that were initially recognized during the reporting period and not fully de-recognized by 31 December 2018 amounts to EUR 439.6 million. The GCAs of the finance lease receivables that were held at 1 January 2018 and fully de-recognized during the year 2018 amounts to EUR 64.3 million.

29. Hedge accounting derivatives

	Dec 17			Dec 18		
in EUR million	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**19,715**	**1,373**	**414**	**11,510**	**373**	**295**
Interest rate	19,715	1,373	414	11,510	373	295
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**2,288**	**10**	**67**	**3,632**	**36**	**72**
Interest rate	2,288	10	67	3,574	36	71
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	57	0	1
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**22,003**	**1,383**	**480**	**15,142**	**410**	**367**
Offset		-498	-120		-277	-90
Total		**884**	**360**		**132**	**277**

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via Clearing Houses. These derivatives and related cash margin balances fulfil the requirements for balance sheet offsetting. For more details on balance sheet offsetting please refer to Note 53 Offsetting of financial instruments.

30. Trade and other receivables

Gross carrying amounts and credit loss allowances per impairment buckets

	Gross carrying amount					Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Dec 18											
General governments	28	22	0	0	49	0	-6	0	0	-6	43
Credit institutions	25	21	0	0	47	0	-1	0	0	-1	46
Other financial corporations	38	3	1	0	42	0	0	-1	0	-1	41
Non-financial corporations	482	591	100	2	1,176	-2	-3	-81	-1	-87	1,089
Households	76	31	20	0	126	-2	-9	-16	0	-27	99
Total	**649**	**668**	**121**	**2**	**1,441**	**-5**	**-19**	**-98**	**-1**	**-122**	**1,318**

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 18								Dec 18
Stage 1	-5	-5	4	1	1	0	0	-1	-5
Stage 2	-5	-11	1	-2	5	0	0	-6	-19
Stage3	-105	-3	9	-1	-29	0	48	-17	-98
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-116**	**-19**	**15**	**-2**	**-24**	**0**	**48**	**-24**	**-122**

31. Debt instruments subject to contractual modifications

Impact of non-significant contractual modifications of debt instruments AC assigned to Stage 2 and 3

in EUR million	Amortised cost before the modification	Net modification gains/losses
Loans and advances		
General governments	57	0
Other financial corporations	61	0
Non-financial corporations	924	-1
Households	602	-3
Total	**1,644**	**-4**

As at 31 December 2018, the total GCA of Erste Group's debt instruments measured at AC, which were impacted by non-significant contractual modifications while they were assigned to Stage 2 or 3 and re-assigned to Stage 1 during the year 2018 amounted to EUR 266.6 million.

32. Impairment loss for financial instruments

Impairment loss for financial instruments

in EUR million	Dec 17	Position in statement of comprehensive income
Allocations to risk provisions	2,069	Net impairment loss on financial assets
Direct write offs	80	Net impairment loss on financial assets
Impairment of loans and advances to credit institutions and customers	**2,149**	**Net impairment loss on financial assets**
Financial assets – AfS	27	Net impairment loss on financial assets
Financial assets – HtM	1	Net impairment loss on financial assets
Contingent credit risk liabilities	329	Other operating result (Note 13)
Total	**2,507**	

The disclosed amounts comprise allocations of risk provisions and provisions as well as direct write off expenses. However, releases of risk provisions and provisions together with recoveries on written-off loans are not included.

33. Investments in associates and joint ventures

in EUR million	Dec 17	Dec 18
Credit institutions	85	87
Financial institutions	77	75
Non-credit institutions	36	36
Total	**198**	**198**

Aggregated financial information of companies accounted for using the equity method:

in EUR million	Dec 17	Dec 18
Total assets	4,818	4,884
Total liabilities	4,267	4,330
Income	266	297
Profit/loss	49	37

None of Erste Group's investments accounted for using the equity method published price quotations.

Significant equity method investments where the Erste Group has strategic interest

in EUR million	Dec 17 Prvá stavebná	Dec 17 Global Payments s.r.o.	Dec 17 VBV - Betriebliche Altersvorsorge AG	Dec 18 Prvá stavebná	Dec 18 Global Payments s.r.o.	Dec 18 VBV - Betriebliche Altersvorsorge AG
Country of Incorporation	Slovakia	Czech Republic	Austria	Slovakia	Czech Republic	Austria
Place of business	Slovakia	Czech Republic	Austria	Slovakia	Czech Republic	Austria
Main business activity	Financing building society	Payment services	Insurance	Financing building society	Payment services	Insurance
Ownership held %	35%	49%	30%	35%	49%	30%
Voting rights held %	35%	49%	27%	35%	49%	27%
IFRS Classification (JV/A)	Associate	Associate	Associate	Associate	Associate	Associate
Reporting currency	EUR	CZK	EUR	EUR	CZK	EUR
Investee's financial information for the reporting year						
Cash and cash balances	0	2	4	0	4	5
Other current assets	566	53	9	639	59	13
Non-current assets	2,377	63	45	2,396	55	43
Current liabilities	464	58	0	762	52	0
Non-current liabilities	2,244	0	2	2,032	0	4
Operating Income	68	27	2	66	33	0
Post-tax result from continuing operations	20	1	6	15	4	8
Other comprehensive income	1	0	0	0	0	0
Total comprehensive income	21	1	6	15	4	8
Depreciation and amortization	-4	-8	0	-4	-7	0
Interest income	99	0	0	95	0	0
Interest expense	-45	0	0	-43	-1	0
Tax expense/income	-5	-1	0	-5	-2	0
Reconciliation of investee's net assets against equity investment's carrying amount						
Net assets attributable to Erste Group	82	30	17	84	32	17
Carrying amount	82	30	17	84	32	17

The classification of current and non-current financial assets and liabilities are based on the expected remaining maturities of assets and liabilities.

Insignificant equity method investments

in EUR million	Dec 17 Associates	Dec 17 Joint Ventures	Dec 18 Associates	Dec 18 Joint Ventures
Investees' aggregated key financial information				
Post-tax result from continuing operations	6	16	4	6
Other comprehensive income	0	0	0	0
Total comprehensive income	**6**	**16**	**4**	**6**
Loan commitments, financial guarantees and other commitments given	**0**	**0**	**0**	**0**
Carrying amount	**30**	**40**	**40**	**24**

34. Unconsolidated structured entities

Erste Group uses structured entities in the course of its business activity. The definition of structured entities as well as of interests in structured entities is outlined in chapter 'B. Significant Accounting Policies'.

Investment funds

Direct investments in own-managed and third-party-managed investment funds as well as management fees earned for the management of investment funds by subsidiaries of Erste Group are classified as interests in unconsolidated structured entities, if they are not consolidated.

Direct investments in investment funds. Erste Group is invested in several mutual funds as well as in private investment funds which are registered in Austria, Central- and Eastern Europe or other countries. The majority of those funds is managed by subsidiaries of Erste Group, the smaller part of the funds being managed by independent third parties. The investments in funds held by Erste Group do not constitute material investments (basically below 20%) and mostly take the form of redeemable fund unit investments. They are measured at fair value on the Group's balance sheet, and are disclosed as debt securities either under line item 'Non-trading financial assets at fair value through profit or loss' or 'Financial assets held for trading' (2017:'Financial assets - available for sale' or 'Financial assets - held for trading').

Management fees. Moreover, Erste Group earnes management fees for providing investment management services as fund manager (by subsidiaries of Erste Group); meaning for making the investment decision for the funds under management of the relevant investment fund.

Beside the management fees for the services as fund manager Erste Group also receives distributions for their investments in fund units. On the other side stand expenses for the administration of investment funds and fees for the business activity of investment funds, especially custodian fees and fees for securities trading transactions. In the normal course of business activity Erste Group enters into derivative transactions with own-managed unconsolidated investment funds. Moreover, own-managed unconsolidated investment funds are also invested - over different time periods - in debt securities issued by or deposits of Erste Group. In restricted cases Erste Group offers capital guarantees for own-managed unconsolidated investment funds.

The magnitude of the Group's equity interests in unconsolidated investment funds may vary in the future depending on the future performance of their respective underlying assets, relevant market circumstances and opportunities, or regulatory requirements.

Securitization vehicles

Erste Group is also involved as an investor in a number of unconsolidated securitization vehicles sponsored and managed by unrelated third parties in foreign jurisdictions. These interests are asset backed securities with the purpose to securitize certain assets, usually loan receivables, into tradeable interest-bearing securities. The securitization vehicles are financed by the issuance of different tranches of asset backed securities. Investors of those securities cover the default risk of the underlying assets. Erste Group is invested in tranches with investment grade, which are measured at fair value on the balance sheet. All investments in unconsolidated securitizations relates to bond investments maturing beyond 1 year. At year end the remaining, weighted average maturity of those debt securities is slightly more than 12.8 years. The interests in securitization vehicles include Collateralized Mortgage Obligations (CMO) and securitized student loans from the US, which will be disposed in the next years.

Others

To a lesser extent, Erste Group is also exposed (notably as lender) to unconsolidated structured entities having other business activities. The respective loans and advances are either measured at amortised cost or at fair value through profit or loss, depending whether they are SPPI-compliant or not.

Maximum exposure to unconsolidated structured entities

Erste Group's maximum exposure to losses from its interests in unconsolidated structured entities is equal to the total fair value of its fund units, bond investments, trading derivative assets, provided loans and off-balance sheet commitments and guarantees as of the respective balance sheet date. The maximum exposure corresponds to the carrying amounts after risk provisions as of the balance sheet date. For off-balance sheet loan commitments and guarantees the maximum exposure corresponds to the respective nominal value.

The table below summarises the Group's business relations to unconsolidated structured entities per balance sheet line item, business activity and business location. The summary includes the assets identified as impaired at year-end, as well as related net impairment losses/gains incurred during the year. The carrying amounts of the exposures summarized below are mostly referring to assets already measured at fair value in the balance sheet of the Group. The carrying amounts of the remaining exposures (notably 'Loans and advances') are materially similar to their fair values.

Dec 18	Investment Funds			Securitization vehicles				
in EUR million	Own-managed	Third-party managed	Total	Own-managed	Third-party managed	Total	Other	Total
Assets								
Equity instruments, thereof:	0	0	0	0	0	0	15	15
at FVPL	0	0	0	0	0	0	15	15
Debt securities, thereof:	579	62	641	0	73	73	0	714
Financial assets HfT	10	9	19	0	0	0	0	19
at FVPL	569	53	622	0	73	73	0	695
Loans and advances	4	0	4	0	0	0	49	53
Trading derivatives	25	0	25	0	0	0	0	25
Total assets	**608**	**62**	**670**	**0**	**73**	**73**	**63**	**807**
thereof impaired	0	0	0	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	569	0	569	0	0	0	0	569
Central and Eastern Europe	40	3	42	0	0	0	63	105
Other jurisdictions	0	60	60	0	73	73	0	133
Liabilities								
Equity instruments	97	0	97	0	0	0	0	97
Debt securities issued	278	0	278	0	0	0	0	278
Deposits	1,516	0	1,516	0	0	0	0	1,517
Trading derivatives	23	0	23	0	0	0	0	23
Total liabilities	**1914**	**0**	**1,914**	**0**	**0**	**0**	**0**	**1,914**
Off balance-sheet commitments	**122**	**0**	**122**	**0**	**0**	**0**	**0**	**122**

Dec 17 in EUR million	Investment Funds Own-managed	 Third-party managed	 Total	Securitization vehicles Own-managed	 Third-party managed	 Total	Other	Total
Assets								
Equity instruments, thereof:	660	73	732	0	0	0	0	732
AfS	522	61	583	0	0	0	0	583
at FVPL	137	12	149	0	0	0	0	149
Debt securities, thereof:	0	0	0	0	119	119	0	119
AfS	0	0	0	0	119	119	0	119
Loans and advances	5	0	5	0	0	0	115	121
Trading derivatives	7	0	7	0	0	0	1	8
Total assets	**672**	**73**	**745**	**0**	**119**	**119**	**116**	**980**
thereof impaired	27	0	27	0	0	0	0	27
On-balance sheet exposure analysis per jurisdiction								
Austria	628	15	643	0	0	0	116	759
Central and Eastern Europe	45	1	45	0	0	0	0	45
Other jurisdictions	0	57	57	0	119	119	0	176
Liabilities								
Equity instruments	115	0	115	0	0	0	7	122
Debt securities issued	269	0	269	0	0	0	3	272
Deposits	1,625	0	1,625	0	0	0	32	1,657
Trading derivatives	56	0	56	0	0	0	0	56
Total liabilities	**2,065**	**0**	**2,065**	**0**	**0**	**0**	**42**	**2,107**
Off balance-sheet commitments	**111**	**0**	**111**	**0**	**0**	**0**	**5**	**116**

35. Non controlling interest

Dec 18 in EUR million	Total	Haftungsverbund Savings Banks, thereof: Sparkasse Oberösterreich	 Sparkasse Steiermark	 Sparkasse Kärnten
Country of incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	29	4	7	1
Net result attributable to non-controlling interests	291	34	70	15
Accumulated NCI	4,022	485	947	218
Subsidiary-level stand-alone key financial information				
Current assets	20,931	4,640	4,331	1,093
Non-current assets	44,946	8,097	9,386	3,066
Current liabilities	47,964	8,747	10,392	3,008
Non-current liabilities	12,100	3,094	1,969	832
Operating income	1,557	283	327	104
Profit or loss from continuing operations	568	78	188	45
Total comprehensive income	**228**	**11**	**113**	**20**

Dec 17 in EUR million	Total	Haftungsverbund Savings Banks, thereof: Sparkasse Oberösterreich	 Sparkasse Steiermark	 Sparkasse Kärnten
Country of incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	21	4	4	1
Net result attributable to non-controlling interests	273	32	74	8
Accumulated NCI	3,916	491	900	209
Subsidiary-level stand-alone key financial information				
Current assets	16,285	4,172	2,603	709
Non-current assets	46,307	7,836	10,590	3,332
Current liabilities	39,935	7,997	6,729	2,006
Non-current liabilities	16,865	3,081	5,179	1,716
Operating income	1,553	293	334	100
Profit or loss from continuing operations	402	52	143	13
Total comprehensive income	**477**	**71**	**147**	**26**

36. Property, equipment and investment properties

At cost

in EUR million	Property and equipment – acquisition and production costs: Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 17	**2,817**	**1,061**	**597**	**638**	**5,112**	**1,383**
Additions	87	45	56	114	302	94
Disposals	-94	-53	-47	-111	-305	-38
Acquisition of subsidiaries	0	0	0	0	1	0
Disposal of subsidiaries	0	0	0	0	0	0
Reclassification	-41	55	-56	-2	-44	41
Assets held for sale	-6	-7	0	0	-13	13
Currency translation	38	8	3	-31	17	8
Dec 17	**2,802**	**1,109**	**553**	**606**	**5,070**	**1,501**
Additions	76	66	70	139	352	84
Disposals	-98	-111	-37	-125	-370	-35
Acquisition of subsidiaries	0	0	12	4	17	0
Disposal of subsidiaries	0	0	0	-25	-25	-14
Reclassification	-40	4	0	0	-36	37
Assets held for sale	-67	0	0	0	-67	-3
Currency translation	-6	-2	-2	10	0	-2
Dec 18	**2,668**	**1,067**	**597**	**610**	**4,941**	**1,568**

Accumulated depreciation

in EUR million	Property and equipment – accumulated depreciation: Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 17	**-1,179**	**-778**	**-468**	**-211**	**-2,636**	**-360**
Amortisation and depreciation	-78	-57	-47	-85	-267	-21
Disposals	76	60	48	59	244	11
Acquisition of subsidiaries	0	0	0	0	-1	0
Disposal of subsidiaries	0	0	0	0	0	0
Impairment	-34	0	0	-1	-35	0
Reversal of impairment	4	0	0	0	4	2
Reclassification	14	-46	50	0	18	-15
Assets held for sale	4	4	0	0	9	-3
Currency translation	-24	-6	-2	12	-20	-3
Dec 17	**-1,217**	**-822**	**-420**	**-225**	**-2,684**	**-390**
Amortisation and depreciation	-73	-57	-51	-72	-254	-25
Disposals	71	106	35	53	266	13
Acquisition of subsidiaries	0	0	0	-2	-2	0
Disposal of subsidiaries	0	0	0	25	25	6
Impairment	-61	0	0	0	-61	-3
Reversal of impairment	1	0	0	0	2	2
Reclassification	12	9	-8	0	13	-12
Assets held for sale	46	0	0	0	46	1
Currency translation	4	1	1	-4	2	1
Dec 18	**-1,217**	**-763**	**-443**	**-225**	**-2,648**	**-409**

Carrying amounts

in EUR million	Property and equipment – carrying amounts: Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Dec 17	**1,585**	**286**	**134**	**382**	**2,387**	**1,112**
Dec 18	**1,450**	**304**	**154**	**385**	**2,293**	**1,159**

The carrying amount of investment properties includes properties which are subject to operating leases, in the amount of EUR 1,125.7 million (2017 adjusted: EUR 1,079.3 million).

In the reporting period, borrowing costs of EUR 0.8 million (2017: EUR 0.7 million) were capitalised. The related interest rate was 0.2%-2.0% (2017:interest rate of 2.0%).

The carrying amount of expenditures recognised in the items fixed assets and investment properties during their construction are EUR 67.3 million (2017: EUR 29.5 million). The contractual commitments for purchase of fixed assets are EUR 13.2 million (2017: EUR 9.7 million).

For further details about fair value of investment properties, see Note 57 Fair value of non-financial instruments.

In 2018, land and buildings were impaired in the amount of EUR 56.9 million (2017: EUR 26.7 million) in Czech Republic, Austria and Romania.. As of 31 December 2018, the recoverable amount of these impaired assets amounted to EUR 118.2 million (2017: EUR 20.4 million).

37. Intangible assets

At cost

in EUR million	Intangible assets – acquisition and production costs						
	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 17	**3,905**	**744**	**285**	**1,427**	**527**	**375**	**7,263**
Additions	18	28	0	137	139	14	334
Disposals	0	0	0	-53	-27	-95	-175
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0	0
Reclassification	0	0	0	-16	9	7	0
Assets held for sale	0	0	0	-1	0	0	-1
Currency translation	-54	-15	-7	23	0	11	-42
Dec 17	**3,869**	**756**	**278**	**1,517**	**648**	**312**	**7,379**
Additions	0	0	0	144	61	11	216
Disposals	0	0	0	-122	-255	-11	-388
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0	0
Reclassification	0	0	0	-21	0	21	0
Assets held for sale	0	0	0	0	0	0	0
Exchange-rate changes	-2	-2	0	-9	0	-1	-14
Dec 18	**3,867**	**755**	**277**	**1,509**	**453**	**333**	**7,194**

Accumulated depreciation

in EUR million	Intangible assets – accumulated depreciation						
	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 17	**-3,197**	**-692**	**-285**	**-1,057**	**-378**	**-263**	**-5,872**
Amortisation and depreciation	0	-9	0	-105	-46	-18	-178
Disposals	-15	0	0	43	54	94	176
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0	0
Impairment	0	0	0	-12	-20	0	-31
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	13	-9	-4	0
Assets held for sale	0	0	0	0	0	0	0
Currency translation	54	15	7	-17	0	-10	50
Dec 17	**-3,156**	**-686**	**-278**	**-1,135**	**-398**	**-202**	**-5,855**
Amortisation and depreciation	0	-9	0	-112	-52	-20	-193
Disposals	0	0	0	122	255	10	388
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0	0
Impairment	0	0	0	-9	-28	0	-36
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	29	-3	-25	1
Assets held for sale	0	0	0	0	0	0	0
Currency translation	2	1	0	6	0	1	10
Dec 18	**-3,154**	**-694**	**-277**	**-1,099**	**-226**	**-236**	**-5,687**

Carrying amounts

in EUR million	Intangible assets – carrying amounts						
	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Dec 17	**712**	**70**	**0**	**382**	**249**	**110**	**1,524**
Dec 18	**712**	**61**	**0**	**410**	**227**	**97**	**1,507**

The contractual commitments for the purchase of intangible assets amounted to EUR 0.9 million (2017: EUR 0.8 million). As of 31 December 2018 the customer relationship Ringturm Kapitalanlagegesellschaft m.b.H. amounted to EUR 40.4 million (2017: EUR 44.5 million). The remaining amortization period of the customer relationship in Ringturm Kapitalanlagegesellschaft m.b.H. was 9.8 years.

Development of goodwill

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, of the respective subsidiaries (cash generating units, CGU) are shown by country of domicile of the relevant subsidiary in the following table.

in EUR million	Romania	Czech Republic	Slovakia	Hungary	Croatia	Austria	Other countries	Total
Jan 17	**0**	**544**	**165**	**0**	**0**	**0**	**0**	**710**
Acquisitions	0	2	0	0	0	0	0	2
Disposals	0	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0	0	0
Exchange rate changes	0	0	0	0	0	0	0	0
Dec 17	**0**	**546**	**165**	**0**	**0**	**0**	**0**	**712**
Gross amount of goodwill	2,251	546	226	313	114	363	120	3,933
Cumulative impairment	-2,251	0	-61	-313	-114	-363	-120	-3,222
Jan 18	**0**	**546**	**165**	**0**	**0**	**0**	**0**	**712**
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0	0	0
Exchange rate changes	0	0	0	0	0	0	0	0
Dec 18	**0**	**546**	**165**	**0**	**0**	**0**	**0**	**712**
Gross amount of goodwill	2,251	546	226	313	114	363	120	3,933
Cumulative impairment	-2,251	0	-61	-313	-114	-363	-120	-3,222

The gross amounts of the goodwill elements are the amounts as determined at the time of the related acquisitions, less accumulated impairments until 31 December 2018, including the effects of exchange rate changes. The goodwill elements having a carrying amount of other than zero as of 31 December 2017 have been assessed for objective evidence of impairment on a quarterly basis throughout the year 2018. Due to the lack of objective evidence during the year, the annual goodwill impairment assessment for the year 2018 addressed the following subsidiaries (cash generating units):

_ Česká spořitelna a.s. (CSAS)
_ Slovenská sporiteľňa a.s. (SLSP)

Carrying amount and material parameters used for the impairment test per subsidiary (cash generated unit) for significant goodwills

	CSAS	SLSP
Carrying amount of goodwill as of 1 January 2018	544	165
Effect of exchange rate changes for the year 2018	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)	
Key interest input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium	
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 1.12% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2018	
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).	
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2018.	
Description of approach to determining values assigned to market risk premium	Set at 7.25% throughout relevant Group's CGUs based on published evaluations by the Austrian Chamber of Commerce (Kammer der Steuerberater und Wirtschaftsprüfer).	
Period of cash flow projection (years)	5 years (2019 - 2023); extrapolation to perpetuity based on Terminal Growth Rate	
Discount rate applied to cash flow projections (pre-tax)	12,7%	13,1%
The value assigned to β Factor	1.19	1.19
Amount of goodwill impairment loss recognised in profit or loss for the year 2018	0	0
Post-impairment carrying amount of goodwill as of 31 December 2018	544	165

	CSAS	SLSP
Carrying amount of goodwill as of 1 January 2017	544	165
Effect of exchange rate changes for the year 2017	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)	
Key interest input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium	
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 1.33% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2017	
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).	
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2017.	
Description of approach to determining values assigned to market risk premium	Set at 7.0% throughout relevant Group's CGUs based on published evaluations by the Austrian Chamber of Commerce (Kammer der Steuerberater und Wirtschaftsprüfer).	
Period of cash flow projection (years)	5 years (2018 - 2022); extrapolation to perpetuity based on Terminal Growth Rate	
Discount rate applied to cash flow projections (pre-tax)	12,6%	13,3%
The value assigned to β Factor	1.16	1.16
Amount of goodwill impairment loss recognised in profit or loss for the year 2017	0	0
Post-impairment carrying amount of goodwill as of 31 December 2017	544	165

In respect of the assessed cash generating units located outside the euro-zone, an inflation differential has been considered in the determination of the discount rates applicable to the related 2019-2023 cash flow projections. In connection with those tested cash-generating units for which no goodwill impairment loss was determined as of 31 December 2018, the table below summarizes the outcome of the sensitivity analysis performed to determine by how much the key input parameters into the applied discounted cash flow models would need to vary in order to cause the unit's calculated recoverable amount to equal its related carrying amount:

Dec 18	CSAS	SLSP
Amount by which recoverable amount exceeds/fall short the carrying amount	1.698	293
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	239	112
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-982	-441
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0,352	0,164
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	200	94

Dec 17	CSAS	SLSP
Amount by which recoverable amount exceeds/fall short the carrying amount	2.088	608
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	312	257
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-1.263	-919
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0,445	0,365
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	269	222

38. Tax assets and liabilities

Major components of deferred tax assets and deferred tax liabilities

	Tax assets		Tax liabilities		Net variance 2018		
in EUR million	Dec 18	Jan 18	Dec 18	Jan 18	Total	Profit or loss	Other comprehensive income
Temporary differences related to the following items:							
Financial assets and liabilities HfT and non-trading financial assets at FVPL	371	461	-341	-299	-132	-132	0
Financial assets at FVOCI	8	27	-105	-167	43	9	34
Financial assets at AC and finance lease receivables	199	218	-11	-27	-3	-3	0
Hedge accounting derivatives	161	64	-46	-20	71	69	2
Property and equipment (useful life in tax law different)	47	34	-26	-26	13	13	0
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	232	211	-2	-2	21	21	0
Financial liabilities at AC (deposits and debt securities issued)	37	62	-1	-49	23	23	0
Long-term employee provisions (tax valuation different)	122	99	-3	-4	25	35	-10
Other provisions (tax valuation different)	75	63	-4	-6	14	14	0
Tax loss carry-forward	29	78	0	0	-49	-49	0
Customer relationships, brands and other intangibles	18	75	-73	-67	-63	-63	0
Other	142	124	-134	-143	27	27	0
Impairment	-314	-444	0	0	130	130	0
Effect of netting gross deferred tax position	-724	-773	724	773	0	0	0
Total deferred taxes	**402**	**299**	**-23**	**-38**	**119**	**93**	**26**
Current taxes	**101**	**108**	**-99**	**-101**	**-415**	**-415**	**0**
Total taxes	**504**	**407**	**-122**	**-139**	**-296**	**-322**	**26**

in EUR million	Tax assets 2017	Tax assets 2016	Tax liabilities 2017	Tax liabilities 2016	Net variance 2017 Total	Net variance 2017 Profit or loss	Net variance 2017 Other comprehensive income
Temporary differences relate to the following items:							
Financial assets and liabilities - held for trading	330	371	-239	-281	1	1	0
Loans and advances to credit institutions and customers	210	259	-30	-109	32	32	0
Financial assets - available for sale	28	39	-248	-319	60	15	45
Derivatives - hedge accounting	77	100	-209	-342	109	87	22
Property and equipment (useful life in tax law different)	34	50	-27	-40	-2	-2	0
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	212	384	-8	-331	152	152	0
Financial liabilities measured at amortised cost (deposits and debt securities issued)	62	104	-52	-42	-52	-52	0
Long-term employee provisions (tax valuation different)	93	119	-4	-7	-23	-23	0
Other provisions (tax valuation different)	71	84	-10	-13	-10	-10	0
Tax loss carry-forward	56	77	0	0	-21	-21	0
Customer relationships, brands and other intangibles	75	15	-67	-47	39	39	0
Other	297	685	-128	-111	-406	-406	0
Impairment	-330	-479	0	0	150	143	7
Effect of netting gross deferred tax position	-958	-1,574	958	1,574	0	0	0
Total deferred taxes	**258**	**234**	**-61**	**-68**	**29**	**-45**	**74**
Current taxes	**108**	**124**	**-101**	**-66**	**-365**	**-365**	**0**
Total taxes	**366**	**358**	**-163**	**-133**	**-336**	**-410**	**74**

The deferred tax assets and liabilities are presented prior to subsidiary-level balance-sheet netting of attributable gross deferred tax assets and gross deferred tax liabilities. The amounts shown in the table are gross amounts before impairment consideration except for the position deferred tax assets resulting from tax loss carry-forward. The remainder of the impairment recordings is considered in line 'Impairment' in the table. The position 'Other' comprises all deferred tax positions not being shown as separate positions in the table above.

Out of the total net deferred tax variance of EUR 119 million (2017: EUR 29 million) an amount of EUR 83 million (2017: EUR 45 million) is reflected as net deferred tax expense in the Group's income statement for the year 2018, whilst an income amount of EUR 23 million (2017: expense EUR 74 million) represents the impact in the Group's other comprehensive income for the year. Furthermore, deferred tax income in the amount of EUR 3 million representing accumulated OCI in respect of deferred tax recognized for cumulative changes in own credit risk attributable to own issues repurchased during the year has been transferred into retained earnings, consequent to the related temporary differences reversing upon repurchase. Similarly, a deferred tax expense of EUR 7 million representing accumulated OCI in respect of deferred tax recognized for cumulative changes in the fair value of FVOCI equity instruments sold during the year has been transferred into retained earnings, consequent to the related temporary differences reversing upon sale. In addition to this, further EUR 10 million were recognised directly in retained earnings and reported in column 'Profit or loss'.

The Group's consolidated deferred tax asset position in amount of EUR 402 million as of 31 December 2018 (2017: EUR 258 million) is expected to be recoverable in the foreseeable future. This is also expected to be te case for deferred tax assets exceeding their deferred tax liabilities by an amount of EUR 17 million as of 31 December 2018 (2017: EUR 11 million) incurred by subsidiaries reporting losses in the current or prior period. These expectations result from year-end recoverability assessments undertaken by the Group's entities, either at individual level, or at relevant tax group level. Such assessments are comparing net temporary deductible differences and available fiscal losses at year-end - after offsetting with deferred tax liabilities at individual level or at relevant tax group level - with fiscal profit forecasts for a group-wide unified and unchanged time horizon of a maximum 5 years depending on the fiscal jurisdiction and applicable facts and circumstances. If the result of these assessments is negative, the deferred tax asset positions are correspondingly not recorded and the already existing deferred tax asset positions are correspondingly depreciated.

Further information on total tax expense is provided in Note 14 Taxes on income.

In accordance with IAS 12.39, no deferred tax liabilities were recognized for temporary differences relating to investments in subsidiaries with an amount of EUR 1,585 million (2017: EUR 1,379 million), as they are not expected to reverse in the foreseeable future. As of 31 December 2018, no deferred tax assets were recognized for tax loss carry-forward and deductible temporary differences with a total amount of EUR 4,750 million (2017: EUR 5,019 million), of which EUR 3,499 million (2017: EUR 2,218 million) relates to tax loss carry-forward, as they are not expected to be realized in the foreseeable future. The figure comprises an amount of EUR 273 million (2017: EUR 1,500 million) representing temporary differences in connection with investments in subsidiaries no deferred tax assets have been recognized for in accordance with IAS 12.44.

From the total of the not recorded deferred tax assets related to tax loss carry-forward in the following period EUR 6 million will expire (2017: EUR 1 million) and in later periods EUR 50 million (2017: EUR 61 million), EUR 753 million (2017: EUR 442 million) will not expire.

39. Assets held for sale and liabilities associated with assets held for sale

in EUR million	Dec 17	Dec 18
Assets held for sale	214	213
Liabilities associated with assets held for sale	3	3

As of the end of 2018, 'Assets held for sale' include mainly land and buildings in amount of EUR 126.7 million (2017: EUR 122.2 million).

For the assets classified as held for sale since 2017, the twelve-month period was exceeded. Despite of intense sales negotiations and the related sales intentions, circumstances beyond the control of Erste Group had occurred, that prevented the sale of the assets until the end of the twelve-month period. The sales process could not be completed in 2018. For this reason, the classification has been reversed. The assets concerned, with a carrying amount of EUR 42.1 million (2017: EUR 18.0 million) were reclassified to the original balance sheet items.

The effect of the adjustment of the carrying amount of the assets upon the reclassification resulted in a gain of EUR 15.7 million in 2018, which was reported under line item 'Other operating result'. In 2017, no effect from the reclassification was recognized in 'Other operating result'.

40. Other assets

in EUR million	Dec 17	Dec 18
Prepayments	149	110
Inventories	187	187
Sundry assets	433	585
Other assets	**769**	**882**

In the line 'Inventories' real estate project developments are disclosed. The impairment of inventories, shown as expense in the reporting period amount to EUR 1.9 million (2017: EUR 1.4 million).

41. Other financial liabilities held for trading

in EUR million	Dec 17	Dec 18
Short positions	430	463
Equity instruments	188	77
Debt securities	242	387
Debt securities issued	59	45
Other financial liabilities held for trading	**489**	**508**

42. Financial liabilities at fair value through profit or loss

	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
in EUR million	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18
Deposits	49	212	49	194	0	18
Debt securities issued	1,753	13,446	1,668	12,706	85	740
Other financial liabilities	0	464	0	464	0	0
Financial liabilities at FVPL	**1,801**	**14,122**	**1,717**	**13,364**	**85**	**758**

Fair value changes that are attributable to changes in own credit risk

	For reporting period		Cumulative amount	
in EUR million	1-12 17	1-12 18	Dec 17	Dec 18
Deposits	0	-1	0	4
Debt securities issued	91	-226	146	502
Other financial liabilities	0	0	0	0
Financial liabilities at FVPL	**91**	**-227**	**146**	**505**

The line 'Other financial liabilities' contains fund units issued by investment funds fully consolidated by Erste Group. Their fair value changes are subject to asset-specific performace risk only and are not dependent on changes in the individual own credit risk of the respective investment funds.

Debt securities issued

in EUR million	Dec 17	Dec 18
Subordinated debt securities issued	880	4.879
Other debt securities issued	873	8.567
Bonds	502	5.469
Other certificates of deposits/name certificates	55	771
Mortgage covered bonds	316	1.945
Public sector covered bonds	0	381
Debt securities issued	**1.753**	**13.446**

43. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 17	Dec 18
Overnight deposits	3,460	4,280
Term deposits	11,893	11,985
Repurchase agreements	996	1,392
Deposits from banks	**16,349**	**17,658**

Deposits from customers

in EUR million	Dec 17	Dec 18
Overnight deposits	**99,278**	**110,201**
Savings deposits	24,494	27,693
Other financial corporations	134	180
Non-financial corporations	1,531	1,771
Households	22,829	25,742
Non-savings deposits	74,785	82,508
General governments	5,502	4,943
Other financial corporations	5,409	5,465
Non-financial corporations	22,716	24,916
Households	41,158	47,184
Term deposits	**50,576**	**50,743**
Deposits with agreed maturity	44,966	44,800
Savings deposits	30,472	29,720
Other financial corporations	409	964
Non-financial corporations	1,447	1,339
Households	28,616	27,418
Non-savings deposits	14,494	15,080
General governments	2,123	3,760
Other financial corporations	2,631	2,418
Non-financial corporations	3,424	3,081
Households	6,316	5,821
Deposits redeemable at notice	5,610	5,942
General governments	8	13
Other financial corporations	79	102
Non-financial corporations	97	109
Households	5,426	5,719
Repurchase agreements	**1,066**	**1,483**
General governments	0	31
Other financial corporations	1,030	1,452
Non-financial corporations	36	0
Deposits from customers	**150,921**	**162,426**
General governments	7,633	8,747
Other financial corporations	9,693	10,581
Non-financial corporations	29,250	31,215
Households	104,345	111,884

Debt securities issued

in EUR million	Dec 17	Dec 18
Subordinated debt securities issued	4,937	951
Other debt securities issued	18,405	15,341
Bonds	8,474	3,073
Certificates of deposit	164	864
Other certificates of deposits/name certificates	830	267
Mortgage covered bonds	7,610	9,112
Public sector covered bonds	1,187	10
Other	141	2,016
Debt securities issued	**23,342**	**16,293**

In 1998, Erste Group Bank AG launched a EUR 30,000,000,000 Debt Issuance Programme (DIP). The current DIP is a programme for issuing debt instruments in various currencies and maturities with a limited range of interest rate structures. In 2018, 37 DIP new bonds (2017: 24) with a total volume of approximately EUR 2.8 billion (2017: EUR 1.1 billion) were issued under the DIP.

In July 2014, the Credit Linked Notes Programme was implemented. In 2018, 4 new bonds (2017: 9) with a total volume of EUR 4 million (2017: EUR 11 million) were issued. At the same time the Equity Linked Notes Programme was implemented, under which 11 new bonds (2017: 153) with a total volume of EUR 47 million (2017: EUR 383 million) were issued. As the Equity Linked Notes Programme was not updated in February 2018, a new issuance programme, Structured Notes Programme (SNP) has been implemented. Since February 2018, 179 new bonds with a total volume of EUR 539 million were issued out of the Structured Notes Programme.

Furthermore, secured and senior unsecured registered notes ('Namenspfandbriefe' and 'Namensschuldverschreibungen'), were issued with a volume of EUR 40 million (2017: EUR 93 million).
Starting with August 2008, the Euro Commercial Paper and Certificates of Deposit Programme has an overall volume of EUR 10 billion. In total, 24 issues (2017: 20) amounting to EUR 1.2 billion (2017: EUR 780 million) were placed in 2018. Issues totalling approximately EUR 753 million (2017: EUR 691 million) were redeemed over the same period.

Erste Group Bank AG, through its branch in NY and through its fully consolidated subsidiary Erste Finance Delaware LLC, issues commercial papers and certificates of deposit into the US money market. The Dollar Certificate of Deposit Program of the New York branch has a maximum issuance volume of EUR 4.4 billion (USD 5.0 billion), with a total balance as of 31 December 2018 of EUR 0.4 billion (USD 0.5 billion) and as of 31 December 2017 EUR 38 million (USD 45 million). The Dollar Commercial Paper Program of Erste Finance Delaware LLC has a maximum issuance volume of EUR 6.6 billion (USD 7.5 billion), with a total balance as of 31 December 2018 of EUR 2.0 billion (USD 2.3 billion) and EUR 75 million (USD 91 million) as of 31 December 2017.

44. Provisions

in EUR million	Dec 17	Dec 18
Long-term employee provisions	914	981
Pending legal issues and tax litigation	351	332
Loan commitments and financial guarantees given	323	329
Provisions for guarantees - off balance sheet (defaulted customers)	181	x
Provisions for guarantees - off balance sheet (non-defaulted customers)	141	x
CLA for loan commitments and financial guarantees in Stage 1	x	76
CLA for loan commitments and financial guarantees in Stage 2	x	58
CLA for loan commitments and financial guarantees - Defaulted	x	196
Other provisions	60	62
Provisions for onerous contracts	4	3
Other	57	60
Provisions	**1,648**	**1,705**

Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Present value of long-term employee benefit obligations – Dec 14	**858**	**466**	**87**	**1,411**
Present value of long-term employee benefit obligations – Dec 15	**741**	**430**	**87**	**1,258**
Present value of long-term employee benefit obligations – Dec 16	**714**	**446**	**90**	**1,250**
Increase	20	0	0	20
Decrease	0	0	0	0
Settlements/curtailments	1	-2	0	-1
Service cost	1	12	6	19
Interest cost	12	8	2	22
Payments	-65	-28	-5	-98
Exchange rate difference	0	0	0	0
Actuarial gains/losses recognised in OCI	**17**	**-5**	**0**	**12**
Adjustments in financial assumptions	-1	-2	0	-3
Experience adjustments	18	-3	0	15
Actuarial gains/losses recognised in PL	**0**	**0**	**-5**	**-5**
Adjustments in financial assumptions	0	0	-	-
Experience adjustments	0	0	-5	-5
Present value of long-term employee benefit obligations – Dec 17	**700**	**431**	**88**	**1,219**
Obligations covered by plan assets	22	233	49	304
Obligations covered by provisions	678	198	39	915
Less fair value of plan assets	**22**	**233**	**49**	**304**
Provisions – Dec 17	**678**	**198**	**39**	**915**

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Present value of long-term employee benefit obligations – Dec 17	**700**	**431**	**88**	**1,219**
Increase	0	0	0	0
Decrease	0	0	0	0
Settlements/curtailments	2	0	0	2
Service cost	2	11	5	18
Interest cost	14	8	2	24
Payments	-61	-29	-6	-96
Exchange rate difference	0	0	0	0
Actuarial gains/losses recognised in OCI				
Adjustments in financial assumptions	19	9	0	28
Adjustments in demografic assumptions	52	6	0	58
Experience adjustments	22	9	0	31
Actuarial gains/losses recognised in PL				
Adjustments in financial assumptions	0	0	9	9
Adjustments in demografic assumptions	0	0	-3	-3
Experience adjustments	0	0	2	2
Present value of long-term employee benefit obligations – Dec 18	**750**	**445**	**97**	**1,292**
Obligations covered by plan assets	22	235	54	311
Obligations covered by provisions	728	210	43	981
Less fair value of plan assets	**22**	**235**	**54**	**311**
Provisions – Dec 18	**728**	**210**	**43**	**981**

Actuarial assumptions

For Austrian entities the actuarial calculation of pension obligations is based on the following assumptions:

in %	Dec 17	Dec 18
Interest rate	1,82	1,92
Expected increase in retirement benefits	1,50	1,80

The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (Austrian Federal Law Gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The currently applicable legislation on the gradual raising of the retirement age for men and women to 65 was taken into consideration.

For Austrian entities the actuarial calculation of severance payment and jubilee benefits is based on the following assumptions:

in %	Dec 17	Dec 18
Interest rate	1.82	1.92
Average increase in salary (incl. career trend and collective agreement trend)	2.40	2.70

For the non-Austrian subsidiaries and branches interest rates between 1.45% (2017: 1.46%) and 4.70% (2017: 4.41%) were used. The legal retirement age is in a range between 61 years for women and 65 years for men.

Obligations were calculated based on mortality tables entitled '„AVÖ 2018–P – Rechnungsgrundlagen für die Pensionsversicherung"' or comparable mortality tables.

Movements in plan assets

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Fair value of plan assets – Dec 16	**0**	**233**	**48**	**281**
Addition	20	0	0	20
Interest income on plan assets	2	4	1	7
Contributions by the employer	0	15	4	19
Benefits paid	0	-21	-5	-26
Actuarial gains/losses recognised in OCI	0	2	0	2
Actuarial gains/losses recognised in PL	0	0	1	1
Fair value of plan assets – Dec 17	**22**	**233**	**49**	**304**
Addition	0	0	0	0
Interest income on plan assets	1	4	1	6
Contributions by the employer	1	22	10	33
Benefits paid	1	-17	-5	-21
Actuarial gains/losses recognised in OCI	-3	-7	0	-10
Actuarial gains/losses recognised in PL	0	0	-1	-1
Fair value of plan assets – Dec 18	**22**	**235**	**54**	**311**

In 2019, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 9.6 million (2018: EUR 10.2 million). The contributions shown in the table include not only regular contributions but also one-time payments at the end of the year. The total loss on plan assets amounted to EUR -4.2 million (2017: gain EUR 9.7 million).

Investment strategy

The primary investment strategy of Erste Group is the continuous optimization of plan assets and the effective coverage of existing entitlements. The Group works with professional fund managers for the investment of plan assets. The Investment Fund Act applies as a requirement with respect to specific investment guidelines relating to the investment of plan assets. Additionally, the Investment Committee which is composed of senior staff in the financial sector and representatives of the S-Versicherung and Erste Asset Management meets once a year.

Erste Group's severance payments and jubilee payments are partially covered by the fair value of plan assets, while defined benefit pension plans are not financed with segregated assets. Majority of defined benefit pension plans only exist for already retired employees. Majority of pension plans are dedicated to former employees of Austrian entities of Erste Group and are unfunded. Major part of the plans (sum over severance payments, defined benefit pension plans and jubilee payments) are not matched with dedicated assets.

For the yearly pension payments of the unfunded defined benefit plans and the unfunded part of severance payments Erste Group generally takes care within its asset-liability management strategy covering the funding plan and interest rate risk position of the Group. The payments for 2019 are expected with EUR 81.0 million (2018: EUR 82.0 million) for both plans.

The average duration of these provisions are assumed to be 8.57 years (2017: 10.56 years) for severance payments and 11.32 years (2017: 8.38 years) for defined benefit pension plans.

Control and risk

The effective allocation of plan assets is determined by the administering body including the relevant existing economic and market conditions as well as considering specific risks of the individual asset classes and the risk profile. Moreover the Investment Committee is responsible for monitoring the mandate guidelines and the investment structure, the supervision, which may arise from regulatory or other legal requirements, as well as the monitoring of demographic changes. As an additional steering tool the fund management generates a report, which is transmitted on a quarterly basis to the Group. Overall, the Group tries to minimize the impact caused by market movements on the pension plans.

Asset allocation in the different asset classes

	Dec 17					Dec 18				
in EUR million	Europe-EMU	Europe-non EMU	USA	Other countries	Total	Europe-EMU	Europe-non EMU	USA	Other countries	Total
Cash and cash equivalents	13	0	1	0	14					50
Equity instruments	6	6	42	12	67	0	0	13	3	16
Investment-grade bonds										
Government	35	5	2	12	54	4	0	1	0	5
Non-government bonds	31	20	23	14	88	16	6	9	6	36
Non-investment-grade bonds										
Government	0	1	11	8	20	33	0	8	0	41
Non-government bonds	9	2	15	22	47	96	29	23	11	159
Alternatives										
Commodities	0	0	0	0	0					0
Other	1	0	0	7	8	0	0	0	0	0
Derivatives (market risk)										
Interest rate risk	0	0	0	0	0	0	0	0	0	0
Credit risk	0	0	0	0	0	0	0	0	0	0
Equity price risk	0	0	0	0	0	0	0	0	0	0
Foreign exchange risk	0	0	0	0	0	0	0	0	0	0
Other	6	0	0	0	6	0	0	0	0	4
Plan assets	**101**	**34**	**95**	**75**	**304**	**0**	**0**	**0**	**0**	**311**

In the table above, Investment-grade refers to BBB and above. The plan assets shown in the table above include mainly assets that are quoted and traded on acitve markets. As of 31 December 2018, the plan assets did not include material amounts of securities issued by the Group or other claims upon it. Moreover none of the mortgage securities used by the Group are included.

Effects of defined post-employment benefit plans in profit or loss

in EUR million	Dec 17	Dec 18
Settlements/curtailments	1	-2
Service cost	-19	-18
Net interest	-15	-18
Total	**-33**	**-38**

Settlements and curtailments as well as service costs are included in the income statement in the line item 'Personnel expenses'. Net interest includes interest expenses for long-term employee benefits as well as the expected return on plan assets.These are disclosed in the income statement in the line item 'Other similar income' and 'Other similar expense' under 'Net interest income'. As of 31 December

2018, the cumulative amount of remeasurement from defined benefit plans, recognised in other comprehensive income amounted to EUR -642,9 million before tax (2017: EUR -515,5 million).

Sensitivity to key assumption

The following table presents a sensitivity analysis for each significant actuarial assumptions showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the balance sheet.

	Dec 17			Dec 18		
in EUR million	Pensions	Severance payments	Total	Pensions	Severance payments	Total
Change in discount rate +1.0%	614	367	981	692	400	1,092
Change in discount rate -1.0%	723	450	1,173	817	498	1,315
Change in future salary increases +0.5%	665	426	1,091	750	470	1,220
Change in future salary increases -0.5%	665	385	1,050	750	422	1,172
Change in future benefit increases +0.5%	713	405	1,118	804	445	1,249
Change in future benefit increases -0.5%	620	405	1,025	699	445	1,144
Increase in survival rate by approx. 10%	705	0	705	803	0	803

Impact on cash flows

Benefits expected to be paid by the defined benefit plans in each of the respective periods

in EUR million	Pensions	Severance payments	Total
2019	19	62	81
2020	21	58	79
2021	22	55	77
2022	24	51	75
2023	29	48	77
2024-2028	134	193	327

Duration

Weighted average duration of the defined-benefit obligations

	Dec 17			Dec 18		
in years	Pensions	Severance payments	Total	Pensions	Severance payments	Total
Duration	8.38	10.56	9.20	8.57	11.32	9.57

The weighted average duration is affected by changes in longevity and in the mortality table.

Sundry provisions

Movement in credit loss allowances for loan commitments and financial guarantees

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 18						Dec 18
Stage 1	66	131	-66	-117	64	-2	76
Stage 2	57	0	-38	47	-5	-4	58
Defaulted	183	2	-121	24	107	0	196
Total	**307**	**132**	**-225**	**-46**	**166**	**-5**	**329**

In column 'Additions' increases of CLA due to the initial recognition of loan commitments and financial guarantees during the current reporting period are disclosed. Releases of CLA following the derecognition of the related loan commitments and financial guarantees are reported in column 'Derecognitions'.

In the column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related loan commitments and financial guarantees from Stage 1 (at 1 January 2018 or initial recognition date) to Stages 2 or Defaulted at 31 December 2018 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or Defaulted on the related CLAs are adverse and presented in lines attributable to Stages 2 or Defaulted. The effects of transfers from Stages 2 or Defaulted to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

This column also captures the passage-of-time adverse effect ('unwinding') over the lifetime expected cash shortfalls of defaulted loan commitments and financial guarantees.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different stages. The year-end notional amounts of loan commitments and financial guarantees that were assigned at 31 December 2018 to a different stage compared to 1 January 2018 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

in EUR million	Dec 18
Transfers between Stage 1 and Stage 2	
To Stage 2 from Stage 1	521
To Stage 1 from Stage 2	405
Transfers between Stage 2 and Defaulted	
To Defaulted from Stage 2	104
To Stage 2 from Defaulted	24
Transfers between Stage 1 and Defaulted	
To Defaulted from Stage 1	54
To Stage 1 from Defaulted	6

The year-end nominal amounts of unused off-balance commitments and financial guarantees that were initially recognized during the year 2018 and not fully de-recognized by 31 December 2018 amounts to EUR 11,486.3 million. The nominal amounts of unused off-balance commitments or financial guarantees that were held at 1 January 2018 and fully de-recognized during the year 2018 amounts to EUR 6,867.9 million.

Sundry provisions 2018

in EUR million	Ian 18	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes	Dec 18
Pending legal issues and tax litigation	351	64	-11	-72	0	0	332
Commitments and guarantees given out of scope of IFRS9	0	15	0	-11	0	11	14
Other provisions	60	6	-7	-10	0	-2	48
Provisions for onerous contracts	4	0	0	-1	0	0	3
Other	57	6	-7	-9	0	-2	46
Provisions	**411**	**85**	**-18**	**-93**	**0**	**9**	**394**

Under position pending legal issues and tax litigations out of lending business, asset management or litigations with customer protection association, which normally occur in banking business, are disclosed.

In 2018, a provision for risks related to Romanian consumer protection claims Act was partially released in amount of EUR 23.8 million (2017: EUR 10.1 million). The total amount of the provision as of 31 December 2018 was EUR 150.1 million (2017: EUR 133.5 million).

The level of sundry provisions is the best possible estimate of expected outflow of economic benefits at the reporting date, while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. Risks and uncertainties are taken into account in the estimate.

Sundry provisions 2017

in EUR million	Dec 16	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes	Dec 17
Pending legal issues and tax litigation	330	176	-109	-46	0	0	351
Commitments and guarantees given	339	329	-1	-347	1	-1	323
Provisions for guarantees - off balance sheet (defaulted customers)	208	168	-1	-196	1	1	181
Provisions for guarantees - off balance sheet (non-defaulted customers)	132	162	0	-151	0	-2	141
Other provisions	60	34	-13	-30	1	8	60
Provisions for onerous contracts	5	0	-1	-1	0	1	4
Other	54	34	-11	-29	1	8	57
Provisions	**729**	**539**	**-122**	**-423**	**3**	**7**	**734**

45. Other liabilities

in EUR million	Dec 17	Dec 18
Deferred income	173	131
Sundry liabilities	2,423	2,193
Other liabilities	**2,596**	**2,323**

Deferred income outstanding at 31 December 2018 includes 'contract liabilities' in accordance with IFRS 15 in amount of EUR 111 million (2017: EUR 130 million). The item 'Sundry liabilities' mainly contains outstanding settlement liabilities as well as other liabilities from employee benefits.

46. Total equity

in EUR million	Dec 17	Dec 18
Subscribed capital	860	860
Additional paid-in capital	1,477	1,477
Retained earnings and other reserves	10,542	11,045
Owners of the parent	**12,879**	**13,381**
Additional equity instruments	993	993
Non-controlling interests	4,416	4,494
Total	**18,288**	**18,869**

As of 31 December 2018, subscribed capital (also known as registered capital) consists of 429.800.000 (2017: 429.800.000) voting bearer shares (ordinary shares). The pro rata amount of registered capital, per no-par value share, was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

In June 2016 and in April 2017 Erste Group Bank AG issued additional tier 1 capital (AT1 bonds) each with a total nominal value of EUR 500 million. These bonds include discretionary non-cumulative coupon payments of 8.875% (issuance in June 2016) respectively 6.5% (issuance in April 2017) per annum. The coupon payments are carried out twice a year on 15 April and 15 October. The instruments are perpetual and callable on 15 October 2021 (issuance in June 2016) and on 15 April 2024 (issuance in Aril 2017) and on each coupon payment date thereafter. At the first call date the coupon rate changes into 5-year swap rate +9.02% (issuance in June 2016) and 5-year swap rate +6.204% (issuance in April 2017) and is subsequently reset every 5 years. If common equity tier 1 ratio of Erste Group or Erste Group Bank AG falls below 5.125% (i.e. a trigger event occurs) the principal amount will be written down (fully or partially) on a temporary basis. The issuer may, at its sole discretion, write up the amount (fully or partially) provided a positive profit has been recorded and the trigger event no longer exists.

Changes in number of outstanding shares

	1-12 17	1-12 18
Shares outstanding at the beginning of the period	**409,497,646**	**409,206,906**
Acquisition of treasury shares	-7,429,508	-11,126,627
Disposal of treasury shares	7,138,768	10,536,858
Shares outstanding at the end of the period	**409,206,906**	**408,617,137**
Treasury shares	20,593,094	21,182,863
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,679,572	426,696,221
Weighted average diluted number of outstanding shares	426,679,572	426,696,221

In addition to the calculation of the annual average number of shares outstanding by incorporation of acquisitions and disposals of treasury shares during the year, the line items 'weighted average number of outstanding shares' and 'weighted average diluted number of outstanding shares' consider a proportionate allocation of the treasury shares held by non-controlling interests.

Transactions and shares held by the management board and supervisory board

The shares of management- and supervisory board member, whose office term began or ended during the financial year, held as at the date of inception or termination of their term in office were recognized as additions or disposals.

Information on shares held and transactions in Erste Group Bank AG shares as well as related dividends of the management board (in number of shares):

Shares and related dividends held by management board

Managing board member	Dec 17	Additions	Disposals	Dec 18	Dividends received in 2018 (in EUR)
Andreas Treichl	164,640	0	0	164,640	197,568
Peter Bosek	1,000	0	0	1,000	1,200
Petr Brávek	600	0	0	600	720
Willibald Cernko	0	0	0	0	0
Gernot Mittendorfer	10,000	0	0	10,000	12,000
Jozef Síkela	6,300	0	0	6,300	7,560

Supervisory board members held the following numbers of Erste Group Bank AG shares as of the balance sheet date of 31 December 2018 and received following dividends accordingly:

Shares and related dividends held by supervisory board

Supervisory board member	Dec 17	Additions	Disposals	Dec 18	Dividends received in 2018 (in EUR)
Friedrich Rödler	1,702	0	0	1,702	2,042
Jan Homan	4,400	0	0	4,400	5,280
Maximilian Hardegg	40	200	0	240	48
Elisabeth Bleyleben Koren	10,140	0	0	10,140	12,168
Gunter Griss	0	0	0	0	0
Jordi Gual Solé	0	0	0	0	0
Marion Khüny	0	0	0	0	0
Elisabeth Krainer Senger-Weiss	0	0	0	0	0
Brian D. O'Neill	0	0	0	0	0
Wilhelm Rasinger	21,303	1,000	0	22,303	25,564
John James Stack	32,761	0	0	32,761	39,313
Markus Haag	160	16	0	176	192
Regina Haberhauer	188	0	0	188	226
Andreas Lachs	52	0	-52	0	62
Barbara Pichler	281	28	0	309	337
Jozef Pinter	0	0	0	0	0
Karin Zeisel	35	3	0	38	42

As of 31 December 2018, supervisory board members did not hold options in Erste Group Bank AG shares. Persons related to members of the management board or supervisory board held 3,366 shares (2017: 3,366 shares) of Erste Group Bank AG.

Remaining authorised and contingent capital as of 31 December 2018

Clause 5 of the articles of association authorises the management board to increase the registered capital with the consent of the supervisory board until 24 May 2023 - also in several tranches - by an amount of up to EUR 343,600,000 by issuing up to 171,800,000 voting no-par value bearer shares in return for contributions in cash and/or in kind, with the issue price and the issuing conditions being determined by the management board with the consent of the supervisory board. Furthermore, the management board is authorized to fully or partly exclude the statutory subscription right of the shareholders with the consent of the supervisory board if the capital increase is in return for a cash contribution and the shares issued while excluding the subscription right of the shareholders, taken together, do not exceed EUR 43,000,000; and/or if the capital increase is in return for contributions in kind.

The measures in sections 5.1.1 (capital increase against cash contribution) to 5.1.2 (capital increase against contributions in kind) can also be combined. The aggregate pro rata amount of registered capital represented by shares in respect of which the shareholders' subscription rights are excluded under this authorization in section 5.1 (authorized capital), together with the pro rata amount of registered capital attributable to shares to which conversion or subscription rights or obligations relate under bonds which were issued and sold on the basis of the authorization in section 8.3, subject to an exclusion of subscription rights, on or after 24 May 2018 must not, however, exceed the proportionate amount of EUR 171,920,000.

Clause 6.3 of the articles of association states that conditional capital based on the resolutions of the management board in 2002 and 2010 (both approved by the supervisory board) with a nominal value of EUR 21,923,264 persists that can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares (ordinary share) with an issue price of at least EUR 2.00 per share against cash contribution and by excluding the subscription rights of the current shareholders. This conditional capital is used for granting options to staff, management and members of the management board of the entity of one of its related undertakings.

Under clause 6.4 of the articles of association, the company has conditional capital of EUR 124,700,000.00 available, which may be utilized by issuing up to 62,350,000 pieces bearer shares. This conditional capital can be used for granting conversion or subscription rights to holders of convertible bonds. In case the terms and conditions of the convertible bonds provide for a mandatory conversion, it shall also serve to cover the mandatory conversion. The issue price and exchange ratio shall be determined pursuant to a recognized pricing method on the basis of accepted finance-mathematical methods and the share price of the company.

According to clause 7 of the articles of association, currently no authorized conditional capital exists.

47. Segment reporting

Erste Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. Within Erste Group the function of the chief operating decision maker is exercised by the management board.

Erste Group's segment reporting is based on the matrix organisation (business and geographical information) and provides comprehensive information to assess the performance of the business and geographical segments.

Business segmentation

The segment reporting comprises six business segments reflecting Erste Group's management structure and its internal management reporting in 2018.

Erste Group – business segments

Retail	Corporates	Group Markets	Asset/Liability Management & Local Corporate Center	Savings Banks	Group Corporate Center	Intragroup Elimination

Retail

The Retail segment comprises the business with private individuals, micros and free professionals within the responsibility of account managers in the retail network. This business is operated by the local banks in cooperation with their subsidiaries such as leasing and asset management companies with a focus on simple products ranging from mortgage and consumer loans, investment products, current accounts, savings products to credit cards and cross selling products such as leasing, insurance and building society products.

Corporates

The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises, Local Large Corporate and Group Large Corporate customers) as well as commercial real estate and public sector business. Small and medium-sized enterprises (SME) are clients which are under the responsibility of the local corporate commercial center network, mainly consisting of companies within defined annual turnover thresholds. Local Large Corporates (LLC) are clients with specific annual turnover thresholds (lying above SME thresholds) which are not defined as Group Large Corporate customers according to the Group Large Corporate client list. Group Large Corporates (GLC) are large corporate customers/client groups with substantial operations in core markets/extended core markets of Erste Group. GLC clients are included on the GLC client list. Commercial Real Estate (CRE) covers for example investors in real estate for the purpose of generating income from the rental of individual properties or portfolios of properties, developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale. Public Sector consists of three sets of customers: public sector, public corporations and non-profit sector. In addition majority of municipalities are also segmented as Public Sector clients.

Group Markets

The Group Markets (GM) segment comprises trading and markets services as well as customer business with financial institutions. It includes all activities related to the trading books of Erste Group, including the execution of trade, market making and short-term liquidity management. In addition, it comprises business connected with servicing financial institutions as clients including custody, depository services, commercial business (loans, cash management, trade & export finance).

Asset/Liability Management & Local Corporate Center

The Asset/Liability Management & Local Corporate Center (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 all non-core banking business activities such as internal service providers that operate on a non-profit basis and reconciliation items to local entity results. The corporate center of Erste Group Bank AG is included in the Group Corporate Center segment.

Savings Banks

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 Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.

Group Corporate Center

The Group Corporate Center (GCC) segment covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), non-profit internal service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments).

Intragroup Elimination

Intragroup Elimination (IC) is not defined as a segment but is the reconciliation to the consolidated accounting result. It includes all intragroup eliminations between participations of Erste Group (e.g. intragroup funding, internal cost charges). Intragroup eliminations within partial groups are disclosed in the respective segments.

Geographical segmentation

For the purpose of segment reporting by geographical areas the information is presented based on the location of the booking entity (not the country of risk). In case of information regarding a partial group, the allocation is based on the location of the respective parent entity according to the local management responsibility.

Geographical areas are defined according to the country markets in which Erste Group operates. Based on the locations of the banking and other financial institution participations, the geographical areas consist of two core markets, Austria and Central and Eastern Europe and a residual segment Other that comprises the remaining business activities of Erste Group outside its core markets as well as the reconciliation to the consolidated accounting result.

The geographical area Austria consists of the following three segments:

_ 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).
_ The **Savings banks** segment is identical to the business segment Savings banks.
_ The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Corporates and Group Markets business, Erste Group Immorent GmbH, Erste Asset Management GmbH and Intermarket Bank AG.

The geographical area Central and Eastern Europe (CEE) consists of six segments covering Erste Group's banking subsidiaries located in the respective CEE countries:

_ **Czech Republic** (comprising Česká spořitelna Group)
_ **Slovakia** (comprising Slovenská sporiteľňa Group)
_ **Romania** (comprising Banca Comercială Română Group)
_ **Hungary** (comprising Erste Bank Hungary Group)
_ **Croatia** (comprising Erste Bank Croatia Group), and
_ **Serbia** (comprising Erste Bank Serbia Group).

The residual segment **Other** covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), internal non-profit service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments). Asset/Liability Management of Erste Group Bank AG as well as the reconciliation to the consolidated accounting result (e.g. intercompany eliminations, dividend eliminations) are also part of the segment Other.

Measurement

The profit and loss statement of the segment report is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segments and assessing their performance. Management reporting as well as the segment report of Erste Group are based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statements of accounting.

Interest revenues are not reported separately from interest expenses for each reportable segment. Those measures are reported on the net basis within the position ‘Net interest income’ as interest revenues and interest expenses are neither included into the measure of segment profit or loss reviewed by the chief operating decision maker nor otherwise regularly provided to the chief operating decision maker. Chief operating decision maker relies solely on net interest income to assess the performance of the segments and make decisions about resources to be allocated to the segments. Net fee and commission income and Other operating result are reported on a net basis according to the regular reporting to the chief operating decision maker.

Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated capital is determined by the credit risk, market risk and operational risk. According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. Total average allocated capital for the Group equals average total equity of the Group. For measuring and assessing the profitability of segments within Erste Group, such key measures as return on allocated capital and cost/income ratio are used.

Return on allocated capital is defined as net result for the period before minorities in relation to the average allocated capital of the respective segment. Cost/income ratio is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties and other operating lease).

Comparability of 2018 and 2017 figures

Presentation of 2018 and 2017 figures in the tables below follows the structure of the consolidated statement of income. The following should be noted in respect of the additional information shown under ’Impairments’ section. The position ‘Net impairment loss on commitments and guarantees given’ was called ‘Allocations/releases of provisions for contingent credit risk liabilities’ in 2017. The position ‘Net impairment on other non-financial assets’ was called ‘Net impairment loss on other non-financial assets’ and also included ‘Net impairment on investments in subsidiaries, joint ventures and associates’ in 2017; from 2018 respective information is split into two positions.

The adjustment of the methodology of the cost of capital calculation including capital benefit effective from 1 January 2018 affected the split of the net interest income as well as average allocated capital between the business and geographical segments. From 2018 capital benefit for the respective allocated capital (part of net interest income) is no longer assigned to all individual business and geographical segments but is entirely allocated to business segment Group Corporate Center and geographical segment Other. Net interest income on Total Group level is not affected by this change. The main effect of this change is that net interest income of the individual business and geographical segments is no longer influenced by the fluctuation of the capital benefit.

Business segments (1)

in EUR million	Retail 1-12 17	Retail 1-12 18	Corporates 1-12 17	Corporates 1-12 18	Group Markets 1-12 17	Group Markets 1-12 18	ALM&LCC 1-12 17	ALM&LCC 1-12 18
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
thereof depreciation and amortization	-211.2	-213.0	-68.6	-72.2	-12.7	-15.6	-13.5	-11.8
Gains/losses from financial assets and liabilities not at FVPL, net	0.3	x	7.0	x	1.7	x	47.0	x
Gains/losses from derecognition of financial assets at AC	x	0.0	x	0.0	x	0.0	x	-0.1
Other gains/losses from derecognition of financial instruments not at FVPL	x	1.1	x	10.0	x	0.0	x	-5.8
Net impairment loss on financial assets	9.5	x	-135.3	x	3.6	x	-8.3	x
Impairment result from financial instruments	x	-24.7	x	59.4	x	-0.4	x	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	x	-135.0	x	3.3	x	-6.4	x
Net impairment loss on other financial assets	0.0	x	-0.3	x	0.3	x	-2.0	x
Net impairment loss on financial assets AC	x	-32.4	x	53.9	x	-1.7	x	1.0
Net impairment loss on financial assets FVOCI	x	0.0	x	-0.9	x	0.0	x	2.2
Net impairment loss on finance lease receivables	x	-0.2	x	10.4	x	0.0	x	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	x	0.0	x	-0.3	x	0.0	x	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	
	1-12 17	1-12 18	1-12 17	1-12 18	1-12 17	1-12 18	1-12 17	1-12 18
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
thereof depreciation and amortization	-73.0	-70.4	-81.0	-89.0	0.0	0.0	-460.0	-472.0
Gains/losses from financial assets and liabilities not at FVPL, net	30.4	x	70.0	x	0.0	x	156.4	x
Gains/losses from derecognition of financial assets at AC	x	1.3	x	0.7	x	-1.8	x	0.1
Other gains/losses from derecognition of financial instruments not at FVPL	x	0.6	x	-0.3	x	0.0	x	5.7
Net impairment loss on financial assets	12.6	x	-14.1	x	0.0	x	-132.0	x
Impairment result from financial instruments	x	19.8	x	-7.3	x	0.0	x	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	x	5.7	x	0.0	x	-105.0	x
Net impairment loss on other financial assets	-5.2	x	-19.8	x	0.0	x	-27.0	x
Net impairment loss on financial assets AC	x	-8.1	x	25.9	x	0.0	x	38.6
Net impairment loss on financial assets FVOCI	x	1.4	x	0.9	x	0.0	x	3.5
Net impairment loss on finance lease receivables	x	0.3	x	0.0	x	0.0	x	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	x	0.0	x	0.0	x	0.0	x	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

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	1-12 17	1-12 18	1-12 17	1-12 18	1-12 17	1-12 18	1-12 17	1-12 18
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
thereof depreciation and amortization	-155.8	-151.4	-222.7	-231.0	-81.6	-89.5	-460.0	-472.0
Gains/losses from financial assets and liabilities not at FVPL, net	43.6	x	30.0	x	82.9	x	156.4	x
Gains/losses from derecognition of financial assets at AC	x	0.9	x	0.6	x	-1.4	x	0.1
Other gains/losses from derecognition of financial instruments not at FVPL	x	2.1	x	5.6	x	-2.0	x	5.7
Net impairment loss on financial assets	-1.2	x	-118.2	x	-12.6	x	-132.0	x
Impairment result from financial instruments	x	121.8	x	-55.9	x	-6.6	x	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	x	-115.6	x	7.2	x	-105.0	x
Net impairment loss on other financial assets	-4.6	x	-2.6	x	-19.8	x	-27.0	x
Net impairment loss on financial assets AC	x	28.8	x	-16.2	x	25.9	x	38.6
Net impairment loss on financial assets FVOCI	x	0.6	x	1.9	x	1.0	x	3.5
Net impairment loss on finance lease receivables	x	11.2	x	-0.5	x	-0.1	x	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	x	0.0	x	0.0	x	0.0	x	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 1-12 17	EBOe & Subsidiaries 1-12 18	Savings Banks 1-12 17	Savings Banks 1-12 18	Other Austria 1-12 17	Other Austria 1-12 18	Austria 1-12 17	Austria 1-12 18
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
thereof depreciation and amortization	-45.3	-43.2	-73.0	-70.4	-37.5	-37.9	-155.8	-151.4
Gains/losses from financial assets and liabilities not at FVPL, net	4.1	x	30.4	x	9.1	x	43.6	x
Gains/losses from derecognition of financial assets at AC	x	-0.5	x	1.3	x	0.0	x	0.9
Other gains/losses from derecognition of financial instruments not at FVPL	x	1.5	x	0.6	x	0.0	x	2.1
Net impairment loss on financial assets	26.1	x	12.6	x	-40.0	x	-1.2	x
Impairment result from financial instruments	x	14.3	x	19.8	x	87.7	x	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	x	17.8	x	-40.5	x	3.4	x
Net impairment loss on other financial assets	0.1	x	-5.2	x	0.5	x	-4.6	x
Net impairment loss on financial assets AC	x	4.0	x	-8.1	x	32.9	x	28.8
Net impairment loss on financial assets FVOCI	x	0.0	x	1.4	x	-0.8	x	0.6
Net impairment loss on finance lease receivables	x	-0.6	x	0.3	x	11.5	x	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	x	0.0	x	0.0	x	0.0	x	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	
	1-12 17	1-12 18	1-12 17	1-12 18	1-12 17	1-12 18	1-12 17	1-12 18	1-12 17	1-12 18	1-12 17	1-12 18	1-12 17	1-12 18
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
thereof depreciation and amortization	-77.7	-78.0	-44.8	-42.8	-36.6	-42.5	-30.7	-34.2	-30.5	-30.7	-2.4	-2.8	-222.7	-231.0
Gains/losses from financial assets and liabilities not at FVPL, net	10.3	x	0.3	x	0.0	x	18.6	x	0.7	x	0.0	x	30.0	x
Gains/losses from derecognition of financial assets at AC	x	0.6	x	0.0	x	0.0	x	0.0	x	0.0	x	0.0	x	0.6
Other gains/losses from derecognition of financial instruments not at FVPL	x	0.3	x	-0.1	x	0.5	x	1.1	x	3.7	x	0.1	x	5.6
Net impairment loss on financial assets	-1.3	x	-30.1	x	-7.1	x	35.1	x	-116.1	x	1.2	x	-118.2	x
Impairment result from financial instruments	x	-11.2	x	-23.5	x	-26.0	x	36.3	x	-33.1	x	1.7	x	-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	x	-30.0	x	-6.9	x	36.6	x	-115.4	x	1.6	x	-115.6	x
Net impairment loss on other financial assets	0.1	x	0.0	x	-0.2	x	-1.4	x	-0.7	x	-0.4	x	-2.6	x
Net impairment loss on financial assets AC	x	13.9	x	-26.0	x	-11.2	x	35.1	x	-28.7	x	0.7	x	-16.2
Net impairment loss on financial assets FVOCI	x	2.1	x	0.0	x	-0.2	x	0.0	x	-0.3	x	0.4	x	1.9
Net impairment loss on finance lease receivables	x	-1.6	x	0.1	x	-0.2	x	0.9	x	0.4	x	0.0	x	-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	x	0.0	x	0.0	x	0.0	x	0.0	x	0.0	x	0.0	x	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

48. Assets and liabilities denominated in foreign currencies and outside Austria and return on assets

Assets and liabilities not denominated in EUR

in EUR million	Dec 17	Dec 18
Assets	80,849	83,389
Liabilities	64,731	67,582

Assets and liabilities outside Austria

in EUR million	Dec 17	Dec 18
Assets	127,310	137,639
Liabilities	95,039	101,897

Return on assets (net profit for the year divided by average total assets) was 0.95% at 31 December 2018 (2017: 0.78%).

49. Leases

Finance leases

Erste Group leases both movable property and real estate to other parties under finance lease arrangements. For finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

in EUR million	Dec 17	Dec 18
Outstanding minimum lease payments	3,212	3,392
Non-guaranteed residual values	958	598
Gross investment	**4,170**	**3,990**
Unrealised financial income	358	303
Net investment	**3,812**	**3,688**
Present value of non-guaranteed residual values	650	563
Present value of minimum lease payments	**3,162**	**3,125**

Maturity analysis of non-cancellable leases by residual maturities

	Gross investment		Present value of minimum lease payments	
in EUR million	Dec 17	Dec 18	Dec 17	Dec 18
< 1 year	863	852	679	664
1 - 5 years	2,202	2,340	1,746	1,947
> 5 years	1,105	798	737	514
Total	**4,170**	**3,990**	**3,162**	**3,125**

For details related to CLAs of finance lease receivables please refer to Note 28 Finance lease receivables. In 2017, the total amount of accumulated allowance for uncollectable minimum lease payments, presented as risk provisions for loans and advances, was EUR 124.7 million. The total amount of contingent rents from finance leases recognised as income in the period was EUR 30.6 million (2017: EUR 31.6 million).

Operating leases

Under operating leases, Erste Group leases both real estate and movable property to other parties.

Minimum lease payments from non-cancellable operating leases

in EUR million	Dec 17	Dec 18
< 1 year	57	54
1 - 5 years	152	200
> 5 years	55	161
Total	**265**	**415**

The total amount of contingent rents from operating leases recognised as income in the period was EUR 11.4 million (2017: EUR 10.7 million).

Minimum lease payments from non-cancellable operating leases

in EUR million	Dec 17	Dec 18
< 1 year	80	75
1 - 5 years	205	196
> 5 years	111	76
Total	**396**	**347**

Lease payments from operating leases recognised as expense in the period amounted to EUR 85.4 million (2017: EUR 85.5 million).

50. Related-party transactions and principal shareholders

In addition to principal shareholders, Erste Group also defines as related parties subsidiaries that are not consolidated due to non-materiality and associates that are included in the consolidated financial statements by the equity method. Furthermore, related parties consist of management and supervisory board members of Erste Group Bank AG. Moreover, Erste Group defines close family members of management and supervisory board members of Erste Group Bank AG, as well as companies over which management and supervisory board members of Erste Group Bank AG have significant influence, as other related parties.

Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements as they have been eliminated.

Principal shareholders

As of 31 December 2018, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ('ERSTE Foundation'), a foundation, holds together with its partners to shareholder agreements approximately 29.99% (2017:29.62%) of the shares in Erste Group Bank AG and is with 16.21% (2017:15.62%) main shareholder. The Erste Foundation is holding 6.49% (2017: 6.50%) of the shares directly, the indirect participation of the ERSTE Foundation amounts to 9.72% (2017: 9.12%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated company of the ERSTE Foundation. 0.78% (2017: 1.00%) are held directly by Austrian savings banks respectively saving banks foundations acting together with the ERSTE Foundation and affiliated with Erste Group Bank AG through the Haftungsverbund. 9.92% (2017: 9.92%) of the subscribed capital is held by the ERSTE Foundation on the basis of a shareholder agreement with CaixaBank S.A.3.08% (2017: 3.08%) are held by other partners to other shareholder agreements.

In 2018 (for the financial year 2017), ERSTE Foundation received a dividend of EUR 57.5 million (2017: EUR 47.5 million) on its stake in Erste Group Bank AG. The purpose of the Erste Foundation, to be achieved notably by way of the participating interest in Erste Group Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. As of 31 December 2018, Bernhard Spalt (chairman), Boris Marte (vice chairman) and Franz Portisch were members of Erste Foundation's management board. The supervisory board of ERSTE Foundation had eight members at the end of 2018, two of whom are also members of the supervisory board of Erste Group Bank AG.

Under article 15.1 of the articles of association, for the duration of its assumption of liability for all current and future debts in the event of default on payment by the company, the Erste Foundation is entitled, pursuant to Section 92 (9) of the Austrian Banking Act, to delegate up to one-third of the supervisory board members to be elected at the Annual General Meeting. Until now, the Erste Foundation has not exercised this right.

As of 31 December 2018, Erste Group had in relation to the ERSTE Foundation accounts payable of EUR 25.4 million (2017: EUR 8.8 million). In addition, ERSTE Foundation held bonds issued by Erste Group Bank AG in the amount of EUR 9.7 million (2017: EUR 10.2 million). The above-mentioned transactions resulted in interest expenses of EUR 0.3 million (2017: EUR 0.5 million).

As of 31 December 2018 CaixaBank S.A. with headquarters in Valencia, Spain held a total of 42,634,248 (2017: 42,634,248) Erste Group Bank AG shares, equivalent to 9.92% (2017: 9.92%) of the share capital of Erste Group Bank AG. One seat, for which CaixaBank S.A. has a nomination right according to the shareholders agreement, is occupied by Jordi Gual Sole (chairman of the board of CaixaBank S.A.), since the annual general meeting from 2017. The other seat is currently not occupied.

In addition, the shareholders' agreement between CaixaBank S.A. and the ERSTE Foundation which had been in effect since 2009, was renewed on 15 December 2014 (Preferred Partnership Agreement). On the basis of this agreement, CaixaBank S.A. joined the ranks of the core shareholders, which include ERSTE Foundation as well as the savings banks, their foundations as well as Wiener Städtische Wechselseitige Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group. As member of this syndicate, CaixaBank S.A. will abide by the recommendations of the ERSTE Foundation when electing new supervisory board members. Moreover CaixaBank S.A. gets the right to nominate a second member of the supervisory board.

In 2018 (for the financial year 2017), CaixaBank S.A. received a dividend of EUR 51.2 million (2017: EUR 42.6 million) based on its stake in Erste Group Bank AG.

Balances and off-balance exposures with related parties

in EUR million	Dec 17 Subsidiaries - not consolidated	Dec 17 Associated entities	Dec 17 Joint ventures	Dec 18 Subsidiaries - not consolidated	Dec 18 Associated entities	Dec 18 Joint ventures
Selected financial assets	**115**	**770**	**0**	**88**	**521**	**184**
Equity instruments	17	30	0	3	45	0
Debt securities	0	28	0	5	15	0
Loans and advances	98	711	0	79	461	184
Loans and advances to credit institutions	1	10	0	0	22	0
Loans and advances to customers	97	432	269	79	439	184
of which impaired	0	0	0	14	0	0
Selected financial liabilities	**40**	**118**	**0**	**53**	**109**	**13**
Deposits	40	118	0	53	109	13
Deposits from banks	0	10	0	0	7	0
Deposits from customers	40	96	11	53	102	12
Loan commitments, financial guarantees and other commitments given (notional amount)	36	256	79	16	155	98
of which defaulted	1	0	0	2	0	0
Loan commitments, financial guarantees and other commitments received (notional amount)	0	0	0	1	0	0
Derivatives (notional amount)	0	0	0	0	53	0
Credit loss allowances and provisions	2	0	0	7	0	0

Expenses/Income generated by transactions with related parties

in EUR million	1-12 17 Subsidiaries - not consolidated	1-12 17 Associated entities	1-12 17 Joint ventures	1-12 18 Subsidiaries - not consolidated	1-12 18 Associated entities	1-12 18 Joint ventures
Interest income	2	5	4	1	6	3
Fee and commission income	0	4	1	0	1	0
Dividend income	2	15	4	1	6	3
Gains on derecognition of non-financial assets	0	3	0	0	0	0
Interest expenses	0	0	0	0	-1	0
Fee and commission expenses	-1	-2	0	-1	-2	0
Expenses from impairment of financial instruments	-1	-1	0	0	-1	0
Income from impairment of financial instruments	10	1	0	2	0	0

Transactions with related parties are done at arm's length.

Remuneration of management and supervisory board members

The remuneration paid to the management board in 2018 is as follows:

Fixed salaries

in EUR thousand	1-12 17	1-12 18
Andreas Treichl	1,475	1,475
Peter Bosek	700	700
Petr Brávek	700	700
Willibald Cernko	700	700
Gernot Mittendorfer	700	700
Jozef Síkela	700	700
Total	**4,975**	**4,975**

Since the financial year 2010, the variable part of the management board's remuneration, including both cash payments and share-equivalents, is distributed over five years in accordance with legal requirements and is paid out only under certain conditions. Share-equivalents are not exchange-traded shares but phantom shares that are paid out in cash after a one-year vesting period based on defined criteria.

In 2018, performance-linked remuneration and share-equivalents were paid out or vested for the financial year 2017 and for previous financial years.

Performance-linked remuneration

	1-12 17				1-12 18			
	Upfront bonus for performance period 2016		Deferred bonus for previous performance periods		Upfront bonus for performance period 2017		Deferred bonus for previous performance periods	
	cash	share-equivalents	cash	share-equivalents	cash	share-equivalents	cash	share-equivalents
	in EUR tsd	in units	in EUR tsd	in units	in EUR tsd	in units	in EUR tsd	in units
Andreas Treichl	311	14,408	171	7,923	317	10,738	277	12,245
Peter Bosek	132	6,512	36	1,433	128	4,853	84	3,387
Petr Brávek	150	6,512	36	1,433	160	4,853	84	3,387
Willibald Cernko	0	0	0	0	160	4,853	0	0
Gernot Mittendorfer	156	6,349	63	2,857	160	4,853	110	4,762
Jozef Síkela	140	6,512	36	1,433	135	4,853	84	3,387
Total	**889**	**40,293**	**342**	**15,079**	**1,060**	**35,003**	**639**	**27,168**

The share-equivalents were firmly promised due to the performance of the previous year. Pay-outs will be made in the year 2019 after the one-year vesting period. The valuation is based on the average weighted daily share price of Erste Group Bank AG of the year 2018 in the amount of EUR 36.88 (2017: EUR 32.97) per share.

Erste Group offers to its board members the bonus program in each year. It relates to the services rendered by the board members in that year (further ‘performance period’). The actual bonus payments are divided into an upfront tranche in the following year and five deferred tranches in the subsequent years. The decision to pay out the upfront and the deferred tranches to board members in a given year depends on the results and the capital ratios of Erste Group Bank AG (further ‘performance conditions’) in the performance period. This decision is taken by a remuneration committee (further ‘the Committee’). If in a specific year the Committee decides that the performance conditions in the performance period have not been fulfilled the first and the deferred tranches for the current year are cancelled. Also, the deferred tranches related to previous service periods may be cancelled.

The total amount of the bonus related to a particular service year is decided by the Committee in April of the following year. This decision also means that the upfront tranche will be paid out. The upfront tranche, depending on the bonus amount granted to a board member, accounts for 40% or 60% of the total volume. The remaining part is split into 5 deferred tranches, each covering 8% or 12%. The payout decision for the first deferred tranche is taken in April two years after the performance period and it depends on the performance in the previous year (i.e. one year after the performance period). The same logic applies to the remaining deferred tranches. Both the upfront tranche and the deferred tranches are split into two equal parts. 50% of the bonuses are paid out in cash in May after the bonus payout decision is taken by the Committee in a specific year (the ‘cash part’). 50% of the bonuses are paid with one year delay after the payout decision and they depend on the changes in the average Erste Group Bank, AG share price between the year in which the payout decision of the tranche is taken and the performance period (the ‘share-equivalents part’). E.g. if the second deferred tranche is 10,000 share equivalents (the number of the share equivalents is determined based on the average share price in the performance period) then the actual amount of cash paid would be 10,000 times the average price of the shares in the year the payout decision is taken (e.g. share price of EUR 30 would result in EUR 300,000 cash amount). The cash amount is paid out in the next year.

The share equivalent part meets the definition of the cash-settled share based payment in IFRS 2. Under the standard an entity shall recognise an expense and a liability in a cash-settled share-based payment transaction services are received. With the deferred tranches the bank remunerates sustainable decisions taken by the board member in the performance period that impact the later business years. Thus the bank receives the full service that is compensated with the upfront and the deferred tranches and recognises the full bonus in the performance period as a liability in the estimated amount which will be decided by the Committee in April of the following year. After the performance period the liability is measured by using the average stock price of the performance year.

The cash part of the bonuses meets the definition of other long-term employee benefits in IAS 19. Under the standard the current service cost is attributed to the periods in which the obligation to provide benefits arises which is the period in which services are rendered by the employees, i.e. the performance period. As for the share-payment part, the full amount of bonus is recognised in the performance period in the estimated amount. The amount of the liability is fixed in the next year. If the effect is significant, the liability is measured at present value discounted at a market yield of high quality corporate bonds.

The outstanding amount of liability related to the performance period 2017 and unpaid deferred tranches from the previous years was EUR 38.8 million (2017: EUR 24.4 million) for the share-equivalents part (IFRS 2). For the performance period 2018 there is no IFRS 2 liability assigned to the share-equivalents part as the decision about the payment and the amount will be taken by the Committee in April 2019. A provision is recognised instead.

Other remuneration

in EUR thousand	1-12 17	1-12 18
Andreas Treichl	644	644
Peter Bosek	136	138
Petr Brávek	136	139
Willibald Cernko	129	134
Gernot Mittendorfer	137	140
Jozef Síkela	135	138
Total	**1,317**	**1,333**

The item 'other remuneration' comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind.

The members of the management board of Erste Group were granted a remuneration of 0.4% (2017: 0.3%) of the total personnel expenses for their activities in the financial year 2018.

In 2018 EUR 1,081,648.86 (2017: EUR 2,097,781.93) was payed in cash and EUR 8,392 (2017: EUR 12,894) share-equivalents were asigned to former board members and their dependents.

Principles governing the pension scheme for management board members. Members of the management board participate in the defined contribution pension plan of Erste Group on the basis of the same principles as employees. For one member of the management board, compensatory payments have to be made to the pension fund in case the management board member's tenure ends before he reaches the age of 65 by no fault of the member.

Principles governing vested benefits and entitlements of management board members in case of termination of the position. Regarding vested benefits and entitlements of management board members in the event of termination of their position, the standard legal severance benefit provisions of section 23 of the Austrian Salaried Employees Act (Angestelltengesetz) still apply to one member of the management board. All other members of the management board are not entitled to receive any severance benefits.

The remuneration granted to the management board members complies with the banking rules on management remuneration.

Breakdown of supervisory board remuneration

in EUR thousand	1-12 17	1-12 18
Supervisory board compensation	691	860
Meeting fees	259	240
Total	**950**	**1,100**

The members of the supervisory board of Erste Group Bank AG were granted a total remuneration of EUR 1,100 thousand (2017: EUR 950 thousand) for their activities in the financial year 2018. The following members of the supervisory board received the following remuneration for their board function in fully consolidated subsidiaries of Erste Group Bank AG: Friedrich Rödler EUR 104,110.00, Jan Homan EUR 19,400.00, Gunter Griss EUR 43,400.00, Maximilian Hardegg EUR 62,814.00, Elisabeth Krainer Senger-Weiss EUR 7,713.00, Brian D. O'Neill EUR 51,466.00 und John James Stack EUR 96,377.00.

Pursuant to the decision at the Annual General Meeting of 24 May 2018, the supervisory board adopted in its meeting immediately held after the end of the Annual General Meeting the following remuneration structure for the financial year 2017:

in EUR	Number	Allowance per person	Total allowance
Chairman	1	150,000	150,000
1st Vice Chairman	1	90,000	90,000
2nd Vice Chairman	1	80,000	80,000
Members	9	60,000	540,000
Total	**12**		**860,000**

The supervisory board consists of at least three and a maximum of twelve members elected by the Annual General Meeting. Unless the Annual General Meeting has determined a shorter term of office for individual, several or all supervisory board members on the occasion of their appointment, the term of office of the members of the supervisory board ends at the close of the Annual General Meeting that resolves on the approvals of their actions for the fourth business year following their election; re-election is permitted. In addition, membership of the supervisory board ceases upon death, revocation, resignation or in the event of an impediment defined in the Articles of Association. Revocation requires a majority of three quarter of valid votes cast and a majority of three quarters of the registered capital represented at the time of the resolution.

Banking transactions with key management employees and persons and companies related to key management employees

As of the end of 2018, loans and advances granted to members of the management board and supervisory board totalled EUR 3,348 thousand (2017: EUR 2,478 thousand). Deposits of members of the management board and supervisory board at Erste Group amounted to EUR 3,971 thousand (2017: EUR 7,184 thousand) in total. Members of the management and supervisory board held bonds issued by Erste Group in the amount of EUR 332 thousand (2017: EUR 688 thousand). Loan commitments and financial guarantees, issued in favour of members of the management and supervisory board totalled EUR 3,819 thousand (2017: EUR 3,908 thousand). From banking transactions with members of the management board and supervisory board Erste Group received interest income and fee income of EUR 37 thousand (2017: EUR 39 thousand) in total, and paid interest expense of EUR 4 thousand (2017: EUR 12 thousand).

Loans and advances to close family members of key management employees and companies over which key management employees have control or significant influence (hereinafter referred to 'other related parties') totalled EUR 7,671 thousand (2017: EUR 899 thousand) as of 31 December 2018. As of the end of 2018, deposits of other related parties at Erste Group amounted to EUR 4,463 thousand (2017: EUR 3,421 thousand) in total. As of 31 December 2018 other related parties held bonds issued by companies of Erste Group in the total amount of EUR 11,090 thousand (2017: EUR 12,440 thousand). Loan commitments and financial guarantees, issued in favour of other related parties totalled EUR 287 thousand (2017: EUR 798 thousand) as of the end of 2018. From banking transactions with other related parties Erste Group received interest income and fee income of EUR 1,383 thousand (2017: EUR 34 thousand) in total, and paid interest and fee expenses of EUR 642 thousand (2017: EUR 23 thousand).

The applicable interest rates and other terms (maturity dates and collateral) represent market conditions.

51. Collaterals

Carring amount of financial assets pledged as collaterals

in EUR million	Dec 17	Dec 18
Loans and receivables to credit institutions	53	x
Loans and receivables to customers	14,841	x
Financial assets at AC	x	18,278
Trading assets	284	186
Non-trading financial assets at FVPL	x	121
Financial assets AfS	813	x
Financial assets at FVOCI	x	562
Financial assets HtM	1,348	x
Total	**17,339**	**19,147**

The financial assets pledged as collateral consist of loans and advances to customers, bonds and other interest-bearing securities. Collaterals were pledged as a result of repurchase transactions, refinancing transactions with the respective National Bank, loans backing issued mortgage bonds and other collateral arrangements.

The fair value of collateral received which may be repledged or resold even without the security provider's default was EUR 18,726.0 million (2017: EUR 8,387.7 million). Collateral with fair value of EUR 1,511.0 million (2017: EUR 867.7 million) was resold. Collateral with fair value of EUR 563.9 million (2017: EUR 57.2 million) was repledged. The bank is obliged to return the resold and repledged collateral.

52. Transfers of financial assets – repurchase transactions and securities lending

	Dec 17		Dec 18	
in EUR million	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	**1,100**	**1,039**	**931**	**890**
Financial assets at AC	x	x	634	612
Trading assets	190	164	85	71
Financial assets AfS	106	103	x	x
Financial assets at FVOCI	x	x	212	207
Financial assets HtM	804	772	x	x
Securities lendings	**1,467**	**0**	**441**	**168**
Financial assets at AC	x	x	325	168
Trading assets	52	0	78	0
Non-trading financial assets at FVPL	x	x	37	0
Financial assets AfS	650	0	x	x
Financial assets HtM	764	0	x	x
Total	**2,567**	**1,040**	**1,372**	**1,058**

The transferred financial instruments consist of bonds and other interest-bearing securities. The total amount of transferred financial assets represent the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledge. The associated liabilities from repo transaction, which are measured at amortised cost, represent an obligation to repay the borrowed funds.

The following table shows fair values of the transferred assets and associated liabilities for repo transactions with an existing recourse right only on the transferred assets.

	Dec 17			Dec 18		
in EUR million	Fair value of transferred assets	Fair value of associated liabilities	Net position	Fair value of transferred assets	Fair value of associated liabilities	Net position
Financial assets at AC	x	x	x	646	612	34
Trading assets	190	164	26	85	71	14
Financial assets at AfS	106	103	3	x	x	x
Financial assets at FVOCI	x	x	x	212	207	5
Financial assets HtM	832	772	60	x	x	x
Total	**1,128**	**1,040**	**88**	**943**	**890**	**53**

53. Offsetting of financial instruments

The following table shows netting effects on the balance sheet of Erste Group as well as the impacts of offsetting financial instruments which are subject to offsetting agreements.

Financial assets subject to offsetting and potential offsetting agreements

Dec 18				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial assets (gross)	Amounts offset (gross)	Financial assets in balance sheet (net)	Financial instruments	Cash collateral received	Other financial collateral received	Net amount after potential offsetting
Derivatives	4,612	-1,442	3,170	1,627	1,133	0	409
Reverse repurchase agreements	16,621	0	16,621	0	29	16,495	97
Total	**21,232**	**-1,442**	**19,790**	**1,627**	**1,163**	**16,495**	**506**

Financial liabilities subject to offsetting and potential offsetting agreements

Dec 18				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in balance sheet (net)	Financial instruments	Cash collateral pledged	Other financial collateral pledged	Net amount after potential offsetting
Derivatives	3.568	-1.291	2.277	1.627	265	3	382
Repurchase agreements	2.875	0	2.875	0	4	2.846	26
Total	**6.444**	**-1.291**	**5.153**	**1.627**	**269**	**2.849**	**407**

Financial assets subject to offsetting and potential offsetting agreements

Dec 17				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial assets (gross)	Amounts offset (gross)	Financial assets in balance sheet (net)	Financial instruments	Cash collateral received	Other financial collateral received	Net amount after potential offsetting
Derivatives	5,611	-1,393	4,217	2,203	1,558	0	457
Reverse repurchase agreements	7,194	0	7,194	0	15	7,107	72
Total	**12,805**	**-1,393**	**11,411**	**2,203**	**1,573**	**7,107**	**529**

Financial liabilities subject to offsetting and potential offsetting agreements

Dec 17				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in balance sheet (net)	Financial instruments	Cash collateral pledged	Other financial collateral pledged	Net amount after potential offsetting
Derivatives	4.501	-1.207	3.294	2.200	244	35	815
Repurchase agreements	2.063	0	2.063	0	2	2.058	3
Total	**6.564**	**-1.207**	**5.357**	**2.200**	**246**	**2.093**	**818**

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via Clearing Houses. These derivatives and related variation margin balances fulfil the requirements for balance sheet offsetting in accordance with the criteria described in chapter 'B. Significant accounting policies'. The impact of offsetting is shown in the column 'Amounts offset (gross)'. The net position between the offset derivative amounts EUR 151 million (2017: EUR 186 million) is further offset with variation margin balances presented under balance sheet items 'Cash and cash balances' in amount EUR 38 million (2017: EUR 32 million) and 'Financial liabilities measured at amortised cost ', sub-item 'Deposits from banks' in amount of EUR 189 million (2017: EUR 218 million).

Erste Group employs repurchase agreements and master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements. Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty. For derivatives transactions the values of assets and liabilities that would be set off as a result of master netting agreements are presented in the column 'Financial instruments'. If the net position is further secured by cash collateral or other financial collaterals the effects are disclosed in columns 'Cash collateral received / pledged' and 'Other financial collateral received / pledged' respectively.

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities remain in the hands of the lender as collateral in case the borrower defaults on fulfilling any of its obligations. Offsetting effects from repurchase agreements are disclosed in the column 'Other financial collateral received / pledged' respectively. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction the value is capped at the level of the carrying amount. Remaining position may be secured by cash collateral. Cash and other financial collateral involved in these transactions is restricted from being used it by the transferor during the time of the pledge.

54. Risk management

Risk policy and strategy

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success.

Erste Group has developed a risk management framework that is forward-looking and tailored to its business and risk profile. This framework is based on a clear risk strategy that sets out general principles according to which risk taking must be performed across the group. The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

The risk strategy describes the current risk profile, defines risk management principles, strategic goals and initiatives for the main risk types as well as sets strategic limits for the significant financial and non-financial risk types as defined in the Risk Materiality Assessment. The risk strategy is executed within a clear defined governance structure. This structure also applies to monitoring risk appetite, additional metrics, as well as to the escalation of limit breaches.

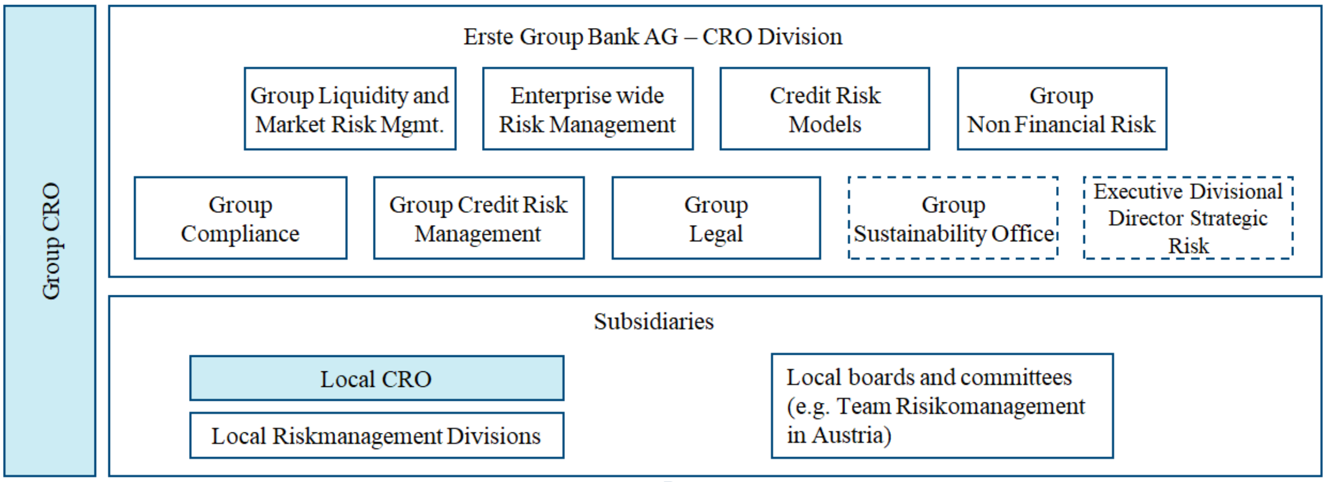
In 2018, management has continued to steer critical portfolios, including active management of non-performing exposures to further strengthen the risk profile. This has been demonstrated in particular by the continuous improvement of credit quality and the ongoing decrease of non-performing loans and negative risk costs.

Erste Group Bank AG uses the Internet as the medium for publishing its disclosures under Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR). Details are available on the website of Erste Group at www.erstegroup.com/ir. Relevant disclosures are included in the annual report in the section "Reports" or published as separate documents in the section "Regulatory disclosure".

Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits.

The following chart presents an overview of Erste Group's risk management organisation:



In 2018, it was decided to adjust the Group CRO area's structure in order to ensure more efficient processes and clear responsibilities, with focus on specific risk types. The changes addressed the following:

_ The staff unit "Executive Divisional Director Strategic Risk" was created;
_ Group Workout was integrated into Group Credit Risk Management;
_ Group Compliance was established as separate division.

Risk management structure

The management board and in particular Erste Group's Chief Risk Officer (Group CRO) perform the oversight function within Erste Group's risk management structure. Risk control and risk steering within Erste Group are performed based on the business strategy and risk appetite approved by the management board. The Group CRO, working together with the chief risk officers of the subsidiaries, is responsible for the implementation and adherence to the risk control and risk management strategies across all risk types and business lines.

The management board and, in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes to that effect; the actual identification, measurement, assessment, approval, monitoring, steering and limit setting for the relevant risks are performed on the operating entity level within Erste Group.

At group level, the management board is supported by several divisions established to perform operating risk control functions and exercise strategic risk management responsibilities. The following risk management functions report directly to the Group CRO:

_ Group Liquidity and Market Risk Management;
_ Enterprise wide Risk Management;
_ Credit Risk Models;
_ Group Non-Financial Risk;
_ Group Compliance;
_ Group Credit Risk Management;
_ Group Legal;
_ Group Sustainability Office;
_ Executive Divisional Director Strategic Risk;
_ Local Chief Risk Officers.

Group Liquidity and Market Risk Management

The division Group Liquidity and Market Risk Management (GLMRM) comprises all market and liquidity risk functions. This division is responsible for steering, measuring, and controlling liquidity and market risk of Erste Group. It covers both banking book and trading book and comprises the departments Banking Book Risk Management, Trading Book Risk Management, Market and Liquidity Risk Methods and Models, and Market and Liquidity Risk Model Validation.

Banking Book Risk Management is responsible for the group-wide governance of market and liquidity risk of the banking book. This includes the identification, measurement and controlling of market and liquidity risk. Furthermore, this department is responsible for setting, controlling, and monitoring group-wide liquidity and market risk limits in the banking book and respective limit escalation procedures.

Trading Book Risk Management is responsible for the group-wide governance of market risk of the trading book. It acts independently of the trading units and takes responsibility for identifying, measuring, and monitoring all market risks arising from capital market business. The scope of this department also comprises setting, controlling, and monitoring of group-wide market risk limits in the trading book and respective limit escalation procedures.

Market and Liquidity Risk Methods and Models covers the development of risk models related to Pillar 1 (i.e. the calculation of the regulatory capital requirements for market risk in the trading book) and Pillar 2 capital requirements as well as valuation and various internal steering purposes.

Market and Liquidity Risk Model Validation is responsible for the independent review and validation of market and liquidity risk related methods and models.

Enterprise wide Risk Management

Enterprise wide Risk Management (ERM) focuses on holistic risk management and ensures comprehensive cross-risk group-wide risk portfolio steering, monitoring, analysis, and reporting. ERM drives key strategic initiatives to establish greater cohesion between risk strategy (including risk appetite and limit steering) and operational execution. Furthermore, ERM works together with all risk functions and key divisions to strengthen oversight group-wide risk to cover capital, credit, liquidity, market, operational, and business risk. The Enterprise wide Risk Management division consists of the departments Credit RWA Management and Stresstesting, Group ICAAP and Group Risk Reporting, Planning & Risk Cost Management.

The Credit RWA Management and Stresstesting department is responsible for the group-wide management and steering of risk-weighted assets for credit risk (credit RWA) according to the Basel framework as well as for carrying out credit risk stress tests according to the regulatory stress testing framework. The unit Credit RWA Management and Methods is in charge of central credit RWA computation (Pillar 1/Pillar 2), the analysis and steering as well as the control of the group-wide credit RWA. Its responsibilities also include the methodology of credit RWA calculation, the provision and maintenance of an optimised credit RWA calculation infrastructure as well as the implementation of regulatory changes. The tasks of the unit Stresstesting & Credit Risk Simulations are, on the one hand, the design, governance, organisation and implementation of stress testing processes as well as the design, governance and the execution of risk concentration analyses. On the other hand, it provides the simulation of the impact on credit RWA resulting from planned changes in the RWA calculation and the preparation of a credit risk stress testing framework as part of the overall ERM framework that is applied for the optimisation of the Group's risk/return profile.

The department Group ICAAP (Internal Capital Adequacy Assessment Process) covers ICAAP methods and limit steering as well as the Group's recovery and resolution planning. The department supports the management in ensuring adequate capital capacity that reflects the nature and magnitude of the Group's risk portfolio. The mission of the unit ICAAP Methods and Limit Steering is to maintain and further enhance a robust enterprise-wide risk management framework as well as to compile the operational components of the Group's risk strategy. Group Recovery and Resolution Planning is responsible for the annual update of the recovery plan of Erste Group and coordinates the departments involved. It supports group entities in recovery planning and aligns local recovery plans with the group recovery plan. Moreover, it provides information required for the resolution plan to the resolution authorities.

Group Risk Reporting, Planning & Risk Cost Management comprises the units Group Risk Reporting and Planning, Data and Analytics, and Risk Cost Governance and Validation. With respect to reporting activities, Group Risk Reporting and Planning is in charge of data extraction, consistency and plausibility checks, analysis and reporting to senior management, regulators, auditors, and rating agencies. Its tasks also comprise the coordination and preparation of comprehensive risk reports covering all risk types. Furthermore, this unit is involved in the implementation of regulatory and financial reporting requirements. In terms of planning activities, the responsibilities of Group Risk Reporting and Planning include the design, governance, organisation and implementation of risk planning processes that ensure the contribution of risk-side input to regular planning rounds and that cover monthly and quarterly forecasts of selected key risk indicators. The Data and Analytics team is responsible for the maintenance of the Group's standardised credit risk reporting systems and also takes responsibility for the technical implementation of new regulatory and financial reporting requirements. Risk Cost Governance and Validation takes care of group-wide standards for determining credit loss allowances and pricing for credit risk as well as for determining and monitoring credit loss allowances at Erste Group Bank AG. It draws up group policies for those areas as well as performs validations of expected credit loss models for all Group entities, of stress test models and of the Advanced Measurement Approach (AMA) model for operational risks.

Credit Risk Models

The Credit Risk Models division covers development and validation responsibilities in the area of credit risk. It is responsible for all the policies, standards, and procedures across the full credit risk model lifecycle. This area provides suitable risk measurement methodologies and tools as well as an appropriate framework for relevant risk policies.

Model Development follows the subsidiarity model, which means responsibilities are divided depending on model perimeter. Local models are developed locally in line with group standards and group-wide models are developed centrally. Model validation is a fully centralised function, independent in line with regulatory requirements.

Model Validation is responsible to independently challenge model development and make certain that all IRB models used by the Group are suitable for the purpose they were created for. It verifies that models are performing as expected in line with their design objectives, and intended business uses as well as in line with regulatory requirements and internal group standards. It is a fully centralised function meaning that all validation responsibilities are bundled within the validation unit of Erste Bank Group AG. Subsidiaries remain responsible for the results and maintain adequate correction measures,which ensures independence and control of model validation as well as enforces adherence to uniform standards.

Group Non Financial Risk

The Group Non Financial Risk functions in 2018 were realigned by creating a dedicated Group Compliance Division, moving the Group Security Management function to the core governance unit of the COO area and preparing to integrate the core operational risk function into the Enterprise wide Risk Management division. These changes further reduce complexity and ensure more efficient processes and clear responsibilities with a focus on risk types.

As of 1 January 2019 the core operational risk function will report to the Enterprise wide Risk Management division. The Group Operational & Non-Financial Risk department ensures the effective, integrative and holistic implementation of the operational risk objectives, including the support of risk mitigating measures. The department acts as the central and independent risk management unit for identification, measurement and steering of operational risk within Erste Group and is responsible for maintaining the model for the calculation of capital requirements relating to operational risk.

Group Compliance

In line with Austrian Securities Supervision Act, the Austrian Stock Exchange Act, the Financial Market Money Laundering Act, the Beneficial Owner Registry Act, the Sanctions Act, the General Data Protection Regulation (GDPR) and the Austrian Banking Act, as well as the respective supranational and EU laws, the following departments are responsible for compliance risks.

The responsibilities of Group AML (Anti-Money Laundering), CTF (Counter-Terrorist Financing), Sanctions and Embargos are to ensure centralised steering and implementation of measures to prevent money laundering and terrorism financing (supported by group-wide systems) and to comply with measures regarding sanctions and embargos within Erste Group including all group members, branch offices and branch establishments in Austria and abroad. In addition, its staff unit Group Correspondent Banking Compliance supports the international payment hub function of Erste Group and fosters correspondent banking relationships by supervising and controlling customer and transaction risk appetite to be in compliance with internationally accepted standards.

Group Securities Compliance and its staff unit Group Markets Compliance is in charge of implementing the provisions of relevant legislation (e.g. MAR/MAD II, MiFIR/MiFID II), guidelines of regulatory authorities and standards applicable for the banking industry to prevent, on a group-wide level, insider trading, market manipulation and other misconduct in securities business. Among others, the key tasks of both units are: group-wide identification and management of conflicts of interest when providing investment services utilising local contacts with system support; market manipulation surveillance for Erste Group Bank AG, almost all Sparkassen and other Austrian entities; aligning market manipulation suspicions group-wide with system support; and personal account controls for entities in Austria.

The Group Data Protection Office functions as a Data Protection Officer (DPO) as stipulated by GDPR both for the Group as well as locally for Erste Group Bank, Erste Bank Oesterreich, and the savings banks (Sparkassen). Its tasks include advising the data controller and other stakeholders; monitoring data protection and GDPR compliance, both as regards the organisation as such and the governance framework; and proper legal, organisational and technical implementation of specific data processing. Finally the DPO is the single point of contact to the Data Protection Authority.

Group Financial Crime is responsible for combatting business fraud in all areas such as credit, payments, cards, cash, securities and trading, procurement, payroll and embezzlement as well as anti-bribery and corruption and conflict of interest for both the Group and Erste Group Bank AG on operational level. It also monits and reports fraud in line with payment services directive PSD2.

Group Credit Risk Management

In November 2018, two risk functions, Group Credit Risk Management and Group Workout, were merged into one function of Group Credit Risk Management. The reorganised Group Credit Risk Management manages operative risk in underwriting and workout activities for both retail and non-retail portfolios (medium-sized enterprises, large corporate and real estate customers, as well as institutional clients and counterparties). In addition, the division is responsible for setting standards and steering the group’s non-retail and retail lending portfolios. It ensures that only credit risk which is in line with the risk appetite, risk strategy, and limits set by ERM are taken on the books of Erste Group. Group Credit Risk Management consists of seven departments: Group EBA - Erste Business Analysis, Credit Underwriting Corporates, Credit Underwriting Financial Institutions and Sovereigns, Credit Underwriting Real Estate, Group Corporate Workout, Corporate Portfolio Monitoring and Management, and Group Portfolio Steering Corporate and Retail.

The department Group EBA - Erste Business Analysis is responsible for group-wide standards for company analyses and preparing these analyses. In addition, Group EBA performs assessments of the market value for all commercial real estate collateral for Erste Group Bank AG and Erste Group Immorent GmbH, produces regular real estate market research reports for Erste Group’s core markets, and is responsible for the group financial analysis tool SABINE. The Central Corporate Rating Unit Desk, as part of Group EBA, acts as single point of contact for all operative issues related to corporate and specialised lending ratings within Group Credit Risk Management.

Credit Underwriting Corporates is responsible for the group-wide underwriting of credit risks associated with large corporate customers, for the management of respective credit applications and related training activities. It is the first line risk management unit for all corporate business at Erste Group Bank AG and, above defined thresholds, the second line risk management unit for corporate business at Erste Group's subsidiaries and the "Haftungsverbund".

Credit Underwriting Financial Institutions and Sovereigns is responsible for ratings, analysis, operative credit risk management (risk assessment, approval of transactions and limits, policies, watch lists and early warning system) and workout activities related to financial institutions (banks, insurance companies and funds), regional governments, sovereigns, and structured products.

Credit Underwriting Real Estate is responsible for credit underwriting in real estate business. The area of responsibility includes all real estate customers doing international business and large-volume credit business of Erste Group's subsidiaries with corporate customers in the real estate segment. This organisational unit is the first line risk management unit for all real estate business of Erste Group Bank AG and Erste Group Immorent GmbH as well as the second line risk management unit for business at Erste Group's banking subsidiaries above defined thresholds. In addition, this unit covers underwriting for specific types of project finance (i.e. renewable energy, Private Public Partnership projects (transport infrastructure), etc.) as a first-line and second-line risk management, respectively.

Group Corporate Workout assumes group-wide responsibility for management of clients allocated to the business segments large corporates, commercial real estate, and other corporates that are rated non-performing or are specifically defined as workout clients. It undertakes the direct workout management function for corporate workout clients of Erste Group Bank AG and Erste Group Immorent GmbH. Additionally, Group Corporate Workout acts as the second line risk management unit, above defined thresholds, for workout clients at Erste Group's banking subsidiaries. Furthermore it is the competence centre for managing the divestment processes of NPLs and the management of repossessed assets.

Corporate Portfolio Monitoring and Management is responsible for corporate risk policies and procedures along the credit process, the optimisation of corporate credit processes and the operative monitoring of credit risk (counterparty and country limit management). In addition, this department is responsible for group-wide credit collateral management. This includes the set-up of standards for the credit collateral management, the framework for a Group credit collateral catalogue, and principles for credit collateral evaluation and revaluation.

Group Credit Portfolio Steering Corporate and Retail is responsible for the group-wide steering of the corporate and retail lending and workout portfolios. This includes the definition of the retail lending and analytical framework as well as portfolio reporting framework and early warning system for the corporate portfolio. In addition, this department conducts regular in-depth portfolio reviews together with risk management units of subsidiaries in order to identify and analyse portfolio dynamics. These frameworks serve as a basis for monitoring lending and workout practices of local banks and for identifying potential adverse portfolio developments early on.

Group Legal
Group Legal, with its three sub-units Banking Legal, Markets Legal, and Corporate Legal, acts as the central legal department of Erste Group Bank AG. This division provides legal support and counsel for the management board, the business units and the central functions, and mitigates legal risk. It also attends to legal sourcing and to dispute resolution and litigation.

Legal support for the business activities of the banking subsidiaries in the respective jurisdictions in which they operate is performed by separate locally established legal departments. While reporting to the local management, typically the local CRO, the heads of the local legal department also report to the head of Group Legal in a functional dotted line matrix responsibility.

Group Sustainability Office
The main tasks of the Group Sustainability Office (GSO) include implementing the diversity and environmental policy, adapting and communicating the Erste Group "Code of Conduct", and further developing the "Time Bank" in Austria (a corporate volunteering platform for co-operation between NGOs and Erste employees). In addition, the GSO is involved in the evaluation of non-financial risks in connection with corporate business, and is the main contact for sustainability ratings and the Erste Group sustainability report – report on (consolidated) non-financial information.

Executive Divisional Director Strategic Risk
The staff unit Executive Divisional Director Strategic Risk is responsible for the further development of internal risk models and the management of challenges in connection with TRIM (Targeted Review of Internal Models). Furthermore, it ensures a comprehensive, optimal coordination of all areas that deal with topics relating to strategic risk management (ERM, Credit Risk Models, Operational Risk, Market & Liquidity Risk Management).

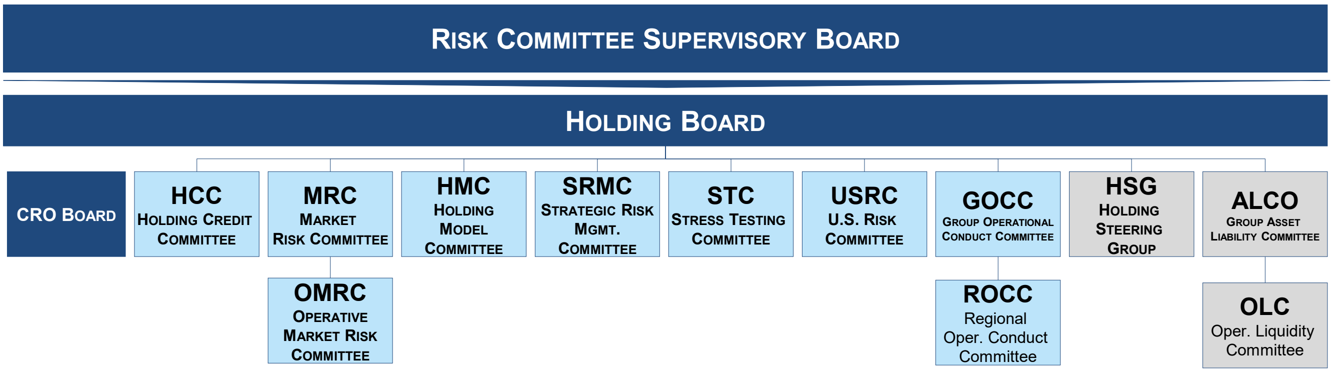
Local Chief Risk Officers

Each subsidiary has separate risk control and management units with responsibilities tailored to the local requirements, which are headed by the respective local chief risk officer (Local CRO).

Group coordination of risk management activities

The management board regularly deals with risk issues of all risk types in its regular board meetings. Actions are discussed and taken when needed.

Furthermore, certain cross-divisional committees were established with the purpose of carrying out risk management activities in Erste Group. They are shown in the following diagram:



The **Risk Committee of the Supervisory Board** is responsible for granting approval in all cases in which loans and exposures reach an amount exceeding the approval authority of the management board according to the Credit Risk Approval Authority Regulations. It is in charge of granting approval to large exposures pursuant to Article 392 CRR, if such a claim is equal to or exceeds 10% of the eligible capital of a credit institution. Within the competence assigned to it, the committee may grant advance approvals to the extent permitted by law.

In addition, it is responsible for supervising the risk management of Erste Group Bank AG. The risk committee meets regularly. As the central risk control body, the risk committee is regularly briefed on the risk status across all risk types.

The **CRO Board** is responsible for the consistent coordination and implementation of risk management activities within Erste Group. The CRO Board consists of the Group CRO, the chief risk officers of major subsidiaries within Erste Group and the senior area managers of the CRO division of Erste Group Bank AG. Chaired by the Group CRO, the CRO Board is the primary body for aligning on strategically relevant topics of the risk division across Erste Group entities, including (but not limited to) the group-wide strategic planning, the project portfolio and Change the Bank (CtB) investments. The CRO Board ensures a consistent flow of information from and to the group functions and supports the setting of the overall risk agenda.

The **Holding Credit Committee** (HCC) is the highest operative decision-making body for approvals of credit risks according to the valid credit risk approval authority regulations. Based on the advice of HCC, decisions of significant exposures and extended risks are decided by the risk management board of the supervisory committee. It also approves the relevant corporate industry strategies. The HCC is headed by the Group CRO and comprises the board member of Corporates & Markets, the head of Group Credit Risk Management and the head of the requesting business line. Each subsidiary has their own local credit committee established by the same principles.

The **Market Risk Committee** (MRC) is the main steering body for market risk and trading book related issues of Erste Group. MRC approves group-wide market risk limits and elaborates on the current market situation. Furthermore, it approves market risk methodologies and models, model changes, and related validation results.

The **Operative Market Risk Committee** (OMRC) prepares decisions for the MRC and approves sensitivity and notional limits which do not require VaR/SVaR limit adjustments.

The **Holding Model Committee** (HMC) is the steering and control body for IRB and Pillar 2 EL model development, validation and monitoring. All new or changed models and model related aspects (e.g. risk parameters, group-wide methodology standards) are reviewed by the Holding Model Committee and require its approval.

The **Strategic Risk Management Committee** (SRMC) holds the delegated decision authority from the management board with respect to strategic risk management functions. Its responsibility area covers the approach to credit RWA calculation and economic capital calculation methodology, the back-testing of credit loss allowances, the remedy actions resulting from reporting of credit risk control units on rating system performance.

The **Stress Testing Committee** (STC) is the sole forum for all joint resolutions, decisions and acknowledgements in the stress testing area for group-wide stress testing activities.

The **United States Risk Committee** (USRC) has been established to meet the requirements of the United States Federal Reserve Board (FRB) regulation, which has been in force since 1 July 2016. The objective is to involve the management board as key governance and control function for the U.S. trade portfolio which has been specified in the Combined U.S. Operations (CUSO) guidance.

The **Group Operational Conduct Committee** (GOCC) is an executive-level committee responsible for enforcement of the Code of Conduct as well as the management of non-financial risks. Moreover, the GOCC serves as an escalation and decision-making committee for the Regional Operational Conduct Committee (ROCC).

The **Regional Operational Conduct Committee** (ROCC) decides on business applications and implements group-wide corrective measures to steer non-financial risks (NFR). This is done based on a risk-return evaluation. Furthermore, ROCC defines group-wide standards for non-financial risk topics. The ROCC is a forum for joint alignments, decisions, and escalations in non-financial risk areas across Erste Group entities and Erste Group Bank AG itself.

The **Holding Steering Group** (HSG) is responsible for monitoring the group's Risk Appetite Statement (especially with regard to capital and liquidity adequacy, under both normal and stressed conditions), the review of proposed group and local capital measures and the proposal of remediation actions. Furthermore, it monitors recovery triggers and indicators and, when appropriate advises the management board on trigger recovery governance. The oversight of the implementation of the risk-return strategy and the proposal of actions to reinforce the risk-return steering also belong to the HSG's tasks and responsibilities.

The **Group Asset/Liability Committee** (ALCO) manages the consolidated Erste Group balance sheet, focusing on trade-offs between all affected consolidated balance sheet risks (interest rate, exchange rate and liquidity risks), and takes care of the setting of group standards and limits for the members of Erste Group. In addition, it approves policies and strategies for controlling liquidity risk as well as interest rate risk (net interest income) and examines proposals, statements and opinions of ALM, risk management, controlling and accounting functions. The approved investment strategy complies with the guidelines agreed with Risk Management.

The **Operational Liquidity Committee** (OLC) is responsible for the day-to-day management of the global liquidity position of Erste Group. It analyses the liquidity situation of Erste Group on a regular basis and reports directly to the ALCO. It also proposes measures to ALCO within the scope of the management policies and principles laid down in the Liquidity Risk Management Rule Book. Furthermore, members of the OLC are points of contact for other departments or Erste Group members for liquidity-related matters. Each local bank has its own local operational liquidity committee.

In addition, committees are established at local level, such as the "Team Risikomanagement" in Austria. It is responsible for a common risk approach with the Austrian savings banks.

Group-wide risk and capital management

Enterprise wide Risk Management (ERM) includes as its fundamental component the Internal Capital Adequacy Assessment Process (ICAAP) required under Pillar 2 of the Basel framework.

The ERM framework is designed to support the bank's management in managing the risk portfolios as well as the coverage potential to ensure that the bank holds adequate capital for the nature and magnitude of its risk profile at all times. The framework is tailored to the Erste Group's business and risk profile and reflects the strategic goal of protecting shareholders and senior debt holders while ensuring the sustainability of the organisation.

ERM framework is a modular and comprehensive management and steering system within Erste Group and is an essential part of the overall steering and management instruments. The ERM components necessary to ensure all aspects, in particular to fulfil regulatory requirements and to provide an effective internal steering tool, can be clustered as follows:

- Risk Appetite Statement (RAS), limits and risk strategy;
- portfolio and risk analytics including Risk Materiality Assessment (RMA), concentration risk management, and stress testing;
- Risk-bearing Capacity Calculation (RCC);
- planning of key risk indicators;
- recovery and resolution planning.

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the ERM components serve to support the bank's management in pursuing its strategy.

Risk appetite

Erste Group defines the maximum level of risk it is willing to accept in order to meet its business objectives within the Group's risk appetite (Group RAS). The Group RAS acts as a binding constraint to Erste Group's business activities within its overall risk appetite via triggers and limits approved by the management board. The Group RAS consists of a set of core risk metrics providing quantitative direction for overall risk-return steering and qualitative statements in the form of key risk principles that are part of the guidelines for managing risks. The core risk metrics are set as ultimate boundaries for the group risk-return target setting. They are also a key part of the annual strategic planning / budgeting process and give an overall picture of capital, liquidity and risk-return trade-offs. The key objective of the RAS is to:

- ensure that Erste Group has sufficient resources to support its business at any given point in time and absorb stress events;
- set boundaries for the group's risk target setting;
- support the group's financial strength and the robustness of its systems and controls.

To foster risk-return steering and ensure proactive management of the risk profile, Erste Group creates its RAS on a forward-looking basis. External constraints such as regulatory requirements create the ceiling for the RAS and therefore the amount of risk Erste Group is willing to accept. In order to ensure that the group remains within the targeted risk profile, a traffic light system was established and assigned to the core metrics. This approach allows a timely delivery of information to the respective governance and the implementation of effective remediation measures. The RAS traffic light system is defined as follows:

- RAS is green: The target risk profile is inside the specified boundaries.
- RAS is amber: The undershooting or overshooting of a pre-defined threshold leads to an escalation to the designated governance and the discussion of potential remediation actions.
- RAS is red: The undershooting or overshooting of a pre-defined limit initiates an immediate escalation to the designated governance and a prompt implementation of remediation actions.

Moreover, stress indicators are defined for selected core metrics and integrated into the assessment of the stress test results. They are reported as early warning signals to the management board to support proactive management of the risk and capital profile.

In addition, supporting metrics and principles are defined by material risk type in the group risk strategy based on Group RAS. These support implementation of the mid- to long-term strategy. Risk management governance ensures full oversight of risk decisions and sound execution of the group risk strategy. Mitigating actions are undertaken as part of the regular risk management process to ensure that the group remains within its RAS.

Group RAS for 2018 was approved by the management board and the supervisory board. The group further developed an aggregated and consolidated risk appetite dashboard (Risk Dashboard) illustrating the group's and local entities' risk profile developments by comparing the risk exposure and risk limits. The Risk Dashboard is regularly presented to the management board, risk committee of the supervisory board and to the supervisory board to support its review, oversight, and monitoring of the group risk profile and the risk profile of its local entities.

Group RAS is also broken down into local entities. Local RAS is approved by the management board to ensure compliance with the Group RAS and also approved by the local management board to ensure alignment with local regulatory requirements. The group may also decide to include further compulsory constraints and limits in local RAS to ensure alignment with Group RAS and Group Risk Strategy.

Group RAS framework streamlines core capital, liquidity, and risk/earnings metrics as well as reinforces key risk principles that form part of the guidelines for managing risks. In addition, Group RAS strengthens internal governance responsible for oversight of risk profile development, embeds RAS into strategic planning and budgeting processes as well as day-to-day management, and ensures timely management actions in case of adverse developments.

Portfolio and risk analytics

Erste Group uses dedicated infrastructure, systems and processes to actively identify, measure, control, report and manage risks within its portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.

Risk materiality assessment

The Risk Materiality Assessment (RMA) determines the materiality of risk types and consequently the risk profile across Erste Group and its entities. RMA is an annual process with the purpose of systematically identifying new and assessing all existing material risks for Erste Group. As such, the RMA is an integral part of the ICAAP and serves as a steering tool for senior management.

Insights generated by the assessment are used to improve risk management practices and further mitigate risks within the group. The assessment also serves as input for the design and definition of the group's Risk Strategy and Risk Appetite Statement. Key outputs and recommendations of the RMA are considered in the scenario design and selection of the comprehensive and reverse stress tests.

Risk concentration analysis

Erste Group has implemented a process to identify measure, control and manage risk concentrations. This process is essential to ensure the long-term viability of Erste Group, especially in times of an adverse business environment and stressed economic conditions.

The risk concentration analysis at Erste Group is performed on an annual basis covering credit risk, market risk, operational risk, liquidity risk and inter-risk concentrations. Identified risk concentrations are considered in the scenario design of the comprehensive stress test and measured under stressed conditions. The output of the risk concentration analysis additionally contributes to the identification of material risks within the RMA and to the setting/calibration of Erste Group's limit system.

Stress testing
Modelling sensitivities of the group's assets, liabilities and profit or loss provide management steering impetus and help to optimise Erste Group's risk-return profile. Stress tests help to factor in severe but plausible scenarios providing further robustness to measurement, steering and management. Risk modelling and stress testing are vital forward-looking elements of the ICAAP. Finally, sensitivities and stress scenarios are considered within the group's planning process.

Erste Group's most complex stress testing activities are scenario stress tests that take a comprehensive account of the impact of various economic scenarios, including second-round effects on all risk types (credit, market, liquidity and operational) and effects on the associated volumes of assets and liabilities as well as on profit and loss sensitivities. In addition to the standard scenario-driven stress testing exercises, reverse stress tests are performed to identify a scenario or a combination of scenarios in which viability of the current business model can be questioned.

Erste Group has developed specific tools to translate macroeconomic variables (e.g. GDP or unemployment rate) into risk parameters in order to support the stress testing process, which combines bottom-up and top-down approaches. For adapting the stress parameters, Erste Group additionally leverages the experience of its local professionals and uses, where appropriate, their statistical models to simulate the impacts of macroeconomic variables on the probabilities of default in the respective markets. Special attention is given to account for adequate granularity and special characteristics (i.e. countries and industries) when determining the segmentation in which the stressed parameters are defined.

Results from Erste Group's internal stress tests are analysed in order to decide on appropriate measures. The internal test performed in 2018 indicated no breach of stressed RAS triggers.

Erste Group participated in the stress test executed by the European Central Bank (ECB) in cooperation with the European Banking Authority (EBA) in 2018. The phase-in CET 1 ratio decreased to 8.6% in the adverse scenario (8.5% fully loaded) and reached 13.3% (13.1% fully loaded) in the baseline scenario.

Risk-bearing capacity calculation
The Risk-bearing Capacity Calculation (RCC) defines the level of capital adequacy required by the ICAAP. In contrast to the regulatory view of Pillar 1, the RCC is based on an economic view and determines whether the bank has sufficient capital for covering all risks it is exposed to. Based on the results of the RMA, economic capital is considered for all relevant risk types. The aggregated capital requirements are then compared to internally available capital, as reflected by the coverage potential

The management board and risk management committees are briefed quarterlyon the results of the capital adequacy calculation. The report includes risks movements, available capital and coverage potential, consideration of potential losses in stress situations, the degree of the risk limit utilisation and the overall status of capital adequacy.

Besides the Pillar 1 risk types (credit, market and operational risks), interest rate risk in the banking book, foreign exchange risk arising from equity investments, credit spread risk in the banking book, risk from foreign currency loans (i.e. FX induced credit risk), risk from repayment vehicles as well as business and strategic risk are explicitly considered within the economic capital requirements via internal models in the context of Pillar 2. At the end of 2018, the utilisation of economic capital was at 59.2%. The methodologies applied to the different risk types are diverse and range from historical simulations and other value at risk approaches to the regulatory approach for residual portfolios. Moreover, calculations for most of the portfolios under the standardised approach for credit risk are extended by risk parameters from the internal ratings-based approach in order to give a better economic view.

Credit risk accounts for 66.9% of total economic capital requirements. Reflecting Erste Group's conservative risk management policy and strategy, the group does not offset diversification effects between the risk types. The economic capital requirements for unexpected losses are computed on a one-year time horizon with a 99.95% confidence level.

The capital or coverage potential required to cover economic risks / unexpected losses is based on Basel 3 fully loaded regulatory own funds adjusted by amortised cost reserves and the year-to-date profit (if not already considered in Pillar 1 capital). The coverage potential must be sufficient to absorb unexpected losses resulting from the group's operations at any point in time.

Risk planning
Group Risk Planning framework is essential for the capital allocation and overall financial planning processes and supports the adequate reflection of risks within the strategy, steering and management processes of the group.

Methods and instruments applied
Key risk indicators covered by the Risk Planning framework include indicators that provide an overview of incurred or potential risks, with respect to both portfolio and economic environment developments. Indicators include RWA (and related indicators), portfolio quality indicators (impairments, NPL/NPE and relevant performance indicators etc.), as well as indicators required by the regulatory authorities under the responsibility of the Risk division.

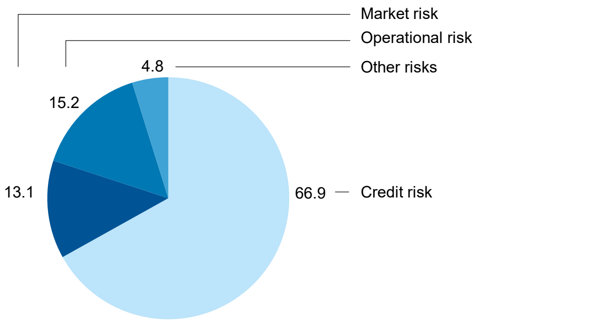
Planning activities are performed in close cooperation with all stakeholders in the group´s overall process, and follow a clear governance structure to ensure sound risk planning process.

Capital allocation
An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done with close cooperation between Risk Management and Controlling. Methodology for allocation reflects risk and controlling processes in order to allocate capital with risk-return considerations.

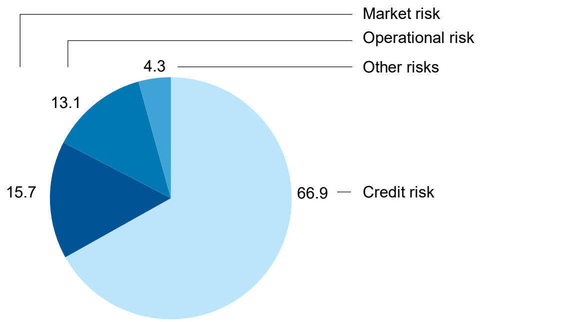
Erste Group's aggregate capital requirements by risk type

The following diagrams present the composition of the economic capital requirements according to type of risk:

Economic capital allocation (in %)
31 December 2017



Economic capital allocation (in %)
31 December 2018



Other risks include business / strategic risk.

Leverage ratio

The leverage ratio represents the relationship between core capital (tier 1) and leverage exposure according to Article 429 CRR. Essentially, the leverage exposure represents the sum of unweighted on- and off-balance-sheet positions considering valuation and risk adjustments as defined within the CRR.

The calculation and disclosure of the leverage ratio is based on the European Commission's delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015.

Recovery and resolution plans

In compliance with the Austrian Banking Recovery and Resolution Law ('Bundesgesetz über die Sanierung und Abwicklung von Banken – BaSAG') Erste Group submits an updated Group Recovery Plan to ECB every year.

The Group Recovery Plan identifies options for restoring financial strength and viability in case Erste Group comes under severe economic stress. The plan specifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of scenarios including both idiosyncratic and market-wide stress. The recovery governance described in the plan ensures timely identification and proper management of any recovery situation.

Erste Group collaborates with the resolution authorities in the drawing up of resolution plans based on BaSAG and EU Regulation No 806/2014 establishing the Single Resolution Mechanism (SRM Regulation).

Credit risk

Credit risk arises in Erste Group's traditional lending and investment businesses. It involves both credit losses incurred as a result of borrowers' default (Stage 3) and credit losses expected if default occurs either within 1 year (Stage 1) or at any time until maturity (Stage 2).

Stage 1 credit losses apply to non-defaulted credit risk exposures without significant increase in credit risk (SICR) since inception, whilst Stage 2 credit losses apply to non-defaulted credit risk exposures for which SICR is observed at the reporting date. It also involves credit losses due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk and related macro-economic forward-looking information is also recognised in the calculation of credit risk.

Operative credit decisions are made by the credit risk management units in each of the banking subsidiaries locally and by Group Credit Risk Management at group level. A detailed explanation of the role and responsibilities of Group Credit Risk Management is covered in the section “Risk management organisation”.

In contrast to large corporates, banks and governments managing credit risk in retail involves dealing with a large number of relatively small exposures extended to private individuals, free professionals, entrepreneurs, or micro companies in line with the Basel definitions. Credit risk related to retail loan portfolios is managed at group and at local entity level with a common interest in order to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities and supported by underlying profitability.

The central database used for credit risk management is the Business Intelligence data warehouse (BI-DWH). All data relevant to credit risk management, performance management, and determination of risk-weighted assets and regulatory capital requirements is regularly loaded into this database. Relevant subsidiaries not yet integrated into the Group data pool regularly deliver reporting packages.

The Group Risk Reporting, Planning and Risk Cost Management department uses the BI-DWH in particular for centralised credit risk reporting. This ensures centralised analysis and application of ratios according to unified methods and segmentation across Erste Group as a whole. Credit risk reporting comprises regular reports on Erste Group’s credit portfolio for external and internal recipients and permits continuous monitoring of credit risk developments, thus enabling management to take control measures. In-house recipients of these reports include, above all, the supervisory and management boards of Erste Group Bank AG as well as the risk managers, business unit directors and internal audit staff.

Internal rating system

Erste Group has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed and adjusted regularly, at a minimum on an annual basis. They cover the entire lending business, taking into account the nature, scope and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of counterparty default risk within Erste Group is based on the customer’s probability of default (PD). For each credit exposure and lending decision, Erste Group assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of each customer is updated event-specific, however, at least once a year (annual rating review). Ratings of workout customers are reviewed with more frequently.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of credit approval authority within Erste Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, loss allowances and risk-weighted assets under Pillar 1 or 2.

For entities of Erste Group that use the internal ratings-based (IRB) approach, internal ratings are key input for the risk-weighted assets calculation. They are also used in the group’s assessment of the economic capital requirements according to Pillar 2. For these purposes, a distinct PD value is assigned to each rating grade for its IRB portfolios within a calibration process that is performed individually for each rating method and each regional portfolio. PD values reflect a 12-month probability of default based on long-term average default rates per rating grade. The bank assigns margins of conservatism to the calculated PDs.

Internal ratings take into account all available significant information for the assessment of counterparty default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behaviour versus the bank and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows an internal group-wide methodological standard and utilises relevant data covering the respective market. In this way, Erste Group ensures the availability of rating models with the best possible prediction across its core regions.

All rating models and their components (scorecards), whether retail or non-retail, are regularly validated by the central validation unit based on a group-wide standard methodology. Validation uses statistical techniques to evaluate the accuracy of default prediction, rating stability, data quality, completeness and relevance and reviews the quality of documentation and degree of user acceptance. The results of this validation process are reported to the management and regulatory bodies. In addition to the validation process, the group applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

A Holding Model Committee (HMC) is established as the primary steering and control body for the model development and validation process and is a delegated committee of the Group Risk Executive Committee (GREC). All new models, model changes, and changes to risk parameters in the group as well as group-wide methodology standards are reviewed by the Holding Model Committee and require its approval. This ensures group-wide integrity and consistency of models and methodologies. Furthermore, the Holding Model Committee organises the group-wide validation process, reviews validation results and approves remedial actions. All development and validation activities are coordinated by the Credit Risk Models division.

Credit risk classification

For the disclosure of asset quality Erste Group assigns each customer to one of the following four risk categories:

Low risk. Typically regional customers with well-established and rather long-standing relationships with Erste Group or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

Management attention. Vulnerable non-retail clients, who may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with possible payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Substandard. The borrower is vulnerable to short-term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing. One or more of the default criteria under Article 178 of the CRR are met, which include full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. Erste Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.

In order to enhance the comparability of the Group's asset quality, Erste Group developed and implemented a new model for the assignment of exposures to risk categories in 2018. Based on the calibration of internal PDs (probabilities of default) for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

Compared to the method used for the assignment of credit exposures to risk categories until 2017, the most prominent impact concerns the migration of exposures in the category "low risk" to "management attention" (2.7 percentage points as of 31 December 2018). Less significant changes include the migration from "management attention" to "substandard" (1.0 percentage points) and from "low risk" to "substandard" (0.4 percentage points), as well as opposite shifts from "management attention" to "low risk" (0.4 percentage points). The "non-performing" risk category was not affected by the change in the methodology.

Credit risk review and monitoring

All credit limits and the transactions booked within the limits are reviewed at least once a year. Counterparty credit risk limits are monitored daily in an internal limit management system with remedial actions taken in case limits are exceeded. An early warning framework is implemented to proactively identify negative developments. When early warning signals are identified, adequate risk mitigating actions are taken. Watch-list meetings and remedial committee meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures to help a particular debtor avoid default.

For smaller enterprises (micro) and retail customers, the monitoring and credit review are based on an automated early warning system. In retail risk management, the early warning signals for adverse portfolio developments include, for instance, quality deterioration in new business or a decreasing collections effectiveness and require appropriate countermeasures.

The early warning signals are monitored at group level by Group Credit Risk Management and at subsidiary level by the local units for retail risk and collections management. Adverse developments identified during the monitoring are discussed and the need for risk mitigation is addressed jointly.

Credit risk exposure

Credit risk exposure relates to the sum of the following balance sheet items:

_ cash and cash balances - demand deposits to credit institutions;
_ debt instruments held for trading;
_ non-trading debt instruments at fair value through profit or loss (FVPL);
_ debt instruments at fair value through other comprehensive income (FVOCI);
_ debt instruments at amortised cost (AC), other than trade and other receivables;
_ debt instruments held for sale in disposal groups;

_ finance lease receivables;
_ trade and other receivables (for disclosure purposes in the tabular summaries below, any contract assets are also included in this category);
_ positive fair value of derivatives;
_ off-balance sheet credit risks (primarily financial guarantees and undrawn loan commitments).

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:
_ credit loss allowances for financial assets;
_ credit loss allowances for loan commitments and financial guarantees;
_ provisions for other commitments;
_ any collateral held (including risk transfer to guarantors);
_ netting effects;
_ other credit enhancements;
_ credit risk mitigating transactions.

Between 31 December 2017 and 31 December 2018, credit risk exposure increased from EUR 226,172 million to EUR 255,864 million. This is an increase of 13.1% or EUR 29,692 million.

Reconciliation between the gross carrying amount and the carrying amount of the credit risk exposure components

in EUR million	Credit risk exposure	Credit loss allowances	Adjustments	Net carrying amount
Dec 18				
Cash and cash balances - demand deposits to credit institutions	1,009	0	0	1,009
Debt instruments held for trading	5,516	0	0	5,516
Non-trading debt instruments at FVPL	2,938	0	0	2,938
Debt securities	2,651	0	0	2,651
Loans and advances to banks	0	0	0	0
Loans and advances to customers	287	0	0	287
Debt instruments at FVOCI	8,828	-10	205	9,033
Debt securities	8,828	-10	205	9,033
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	192,413	-3,307	0	189,106
Debt securities	26,059	-8	0	26,050
Loans and advances to banks	19,111	-8	0	19,103
Loans and advances to customers	147,243	-3,290	0	143,953
Trade and other receivables	1,441	-122	0	1,318
Finance lease receivables	3,914	-151	0	3,763
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	132	0	0	132
Off-balance sheet exposures	39,673	-343	0	-
Total	**255,864**	**-3,933**	**205**	**212,816**

Credit loss allowances comprise impairments for financial assets measured at amortised cost (including finance lease and trade and other receivables) and at fair value through other comprehensive income (FVOCI), as well as credit loss allowances and provisions for off-balance sheet exposures. Adjustments refer to the fair value changes of the carrying amount for financial assets at FVOCI.

The significant increase of off-balance sheet exposures results primarily from the first-time consideration of undrawn revocable loan commitments as impairment relevant as part of IFRS 9 implementation.

in EUR million	Gross carrying amount	Credit risk provisions	Carrying amount
Dec 17			
Cash and cash balances – other demand deposits	1,028	0	1,028
Loans and receivables to credit institutions	9,133	-7	9,126
Loans and receivables to customers	143,509	-3,977	139,532
Financial assets - held to maturity	19,804	-3	19,800
Financial assets - held for trading	2,887	-	2,887
Financial assets - at fair value through profit or loss	403	-	403
Financial assets - available for sale	14,896	-	14,896
Positive fair value of derivatives	4,217	-	4,217
Contingent liabilities	30,295	-323	-
Total	**226,172**	**-4,310**	**191,890**

The gross carrying amount of contingent liabilities refers to the nominal value, while credit risk provisions refer to provisions for guarantees. A carrying amount is not presented in the case of contingent liabilities.

Breakdown of credit risk exposure

On the next pages the credit risk volume is categorised in the following way:

_ Basel 3 exposure class and financial instrument;
_ counterparty sector and financial instrument;
_ contingent liabilities / off-balance sheet exposure by product;
_ risk category;
_ industry and financial instrument;
_ industry and IFRS 9 treatment;
_ industry and risk category;
_ region and risk category;
_ region and IFRS 9 treatment;
_ business segment and risk category;
_ business segment and IFRS 9 treatment;
_ geographical segment and risk category;
_ geographical segment and IFRS 9 treatment;
_ non-performing credit risk exposure by business segment and coverage by credit loss allowances and collateral;
_ non-performing credit risk exposure by geographical segment and coverage by credit loss allowances and collateral;
_ relative thresholds for significant increase in credit risk assessment by geographical segments;
_ composition of credit loss allowances;
_ credit risk exposure, forbearance exposure and credit loss allowances;
_ types of forbearance exposure;
_ credit quality of forbearance exposure by geographical segment;
_ business segment and collateral;
_ geographical segment and collateral;
_ financial instrument and collateral;
_ credit risk exposure past due and not covered by credit loss allowances by financial instrument and collateralisation.

Credit risk exposure by Basel 3 exposure class and financial instrument

The assignment of obligors to Basel 3 exposure classes is based on legal requirements. For reasons of clarity, individual Basel 3 exposure classes are aggregated in the tables below. In addition to central governments, central banks, international organisations, and multinational development banks, the aggregated exposure class "sovereigns" contains regional and local governments as well as public sector entities. Institutions include banks and recognised investment firms.

in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost			Trade and other receivables	Finance lease receiv-ables	Debt instruments held for sale in disposal groups	Positive fair value of hedge accounting derivatives	Off-balance sheet exposures	Total
					Debt securities	Loans and advances to banks	Loans and advances to customers						
Dec 18													
Sovereigns	9	1,935	764	7,305	22,998	14,942	6,423	33	415	0	0	1,511	56,336
Institutions	996	2,844	592	585	2,347	3,598	630	54	2	0	130	811	12,589
Corporates	4	736	1,419	938	714	571	63,465	1,241	2,247	0	2	24,687	96,024
Retail	0	1	163	0	0	0	76,725	112	1,249	0	0	12,664	90,914
Total	**1,009**	**5,516**	**2,938**	**8,828**	**26,059**	**19,111**	**147,243**	**1,441**	**3,914**	**0**	**132**	**39,673**	**255,864**

in EUR million	Cash and cash balances - other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets - available for sale	Positive fair value of derivatives	Contingent liabilities	Total
		At amortised cost	At amortised cost	At amortised cost / Debt securities	At fair value / Debt securities	At fair value / Debt securities	At fair value / Debt securities	At fair value		
Dec 17										
Sovereigns	8	5,893	6,557	18,743	2,242	79	11,495	282	1,296	46,595
Institutions	997	2,988	726	807	467	137	1,456	3,638	544	11,762
Corporates	23	251	62,962	254	178	186	1,946	296	20,649	86,744
Retail	0	0	73,265	0	0	0	0	1	7,806	81,071
Total	**1,028**	**9,133**	**143,509**	**19,804**	**2,887**	**403**	**14,896**	**4,217**	**30,295**	**226,172**

Credit risk exposure by counterparty sector and financial instrument

in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost			Trade and other receivables	Finance lease receiv-ables	Debt instruments held for sale in disposal groups	Positive fair value of hedge accounting derivatives	Off-balance sheet exposures	Total
					Debt securities	Loans and advances to banks	Loans and advances to customers						
Dec 18													
Central banks	0	20	0	3	25	14,939	0	0	0	0	0	17	15,004
General governments	0	1,819	761	6,694	22,387	0	7,059	49	407	0	0	1,958	41,134
Credit institutions	1,009	3,062	721	912	2,752	4,172	0	47	2	0	125	668	13,470
Other financial corporations	0	132	1,048	182	145	0	3,355	42	63	0	5	1,389	6,361
Non-financial corporations	0	482	248	1,037	749	0	62,207	1,176	2,742	0	2	24,282	92,926
Households	0	1	161	0	0	0	74,623	126	700	0	0	11,358	86,968
Total	**1,009**	**5,516**	**2,938**	**8,828**	**26,059**	**19,111**	**147,243**	**1,441**	**3,914**	**0**	**132**	**39,673**	**255,864**

Contingent liabilities / Off-balance sheet exposures by product

in EUR million	Dec 17	Dec 18
Financial guarantees	6,985	7,378
Irrevocable commitments	23,310	-
Loan commitments	-	28,802
Other commitments	-	3,493
Total	**30,295**	**39,673**

Credit risk exposure by risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 18	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**
Share of credit risk exposure	87.6%	7.9%	2.4%	2.1%	
Dec 17	**200,788**	**16,904**	**2,207**	**6,273**	**226,172**
Share of credit risk exposure	88.8%	7.5%	1.0%	2.8%	

From 31 December 2017 to 31 December 2018, the non-performing exposure as well as the NPE ratio (non-performing exposure as a percentage of total credit risk exposure) decreased substantially. With respect to the risk categories for performing exposures a comparison between the two balance sheet dates is not meaningful because the methodology of assigning exposures to risk categories was changed during the year; see “risk grades and categories” in chapter Credit risk classification.

Credit risk exposure by industry and financial instrument

in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost			Trade and other receivables	Finance lease receivables	Debt instruments held for sale in disposal groups	Positive fair value of hedge accounting derivatives	Off-balance sheet exposures	Total
					Debt securities	Loans and advances to banks	Loans and advances to customers						
Dec 18													
Agriculture and forestry	0	1	5	0	0	0	2,562	21	148	0	0	359	3,096
Mining	0	5	8	2	4	0	242	10	20	0	0	425	717
Manufacturing	0	86	28	162	62	0	10,781	490	440	0	0	5,983	18,032
Energy and water supply	0	68	21	90	32	0	3,014	50	69	0	1	803	4,147
Construction	0	7	20	19	6	0	6,248	78	237	0	0	4,803	11,417
Development of building projects	0	4	14	3	4	0	3,704	0	4	0	0	1,358	5,090
Trade	0	9	31	40	0	0	7,993	394	536	0	0	3,689	12,692
Transport and communication	0	81	168	558	253	0	3,634	52	642	0	0	2,090	7,479
Hotels and restaurants	0	5	4	1	4	0	4,020	6	74	0	0	662	4,776
Financial and insurance services	1,009	3,213	1,747	1,145	2,932	19,111	3,821	91	50	0	130	2,221	35,471
Holding companies	0	19	16	92	77	0	1,993	0	4	0	0	545	2,747
Real estate and housing	0	119	58	95	89	0	24,045	6	171	0	0	3,322	27,904
Services	0	89	73	141	174	0	8,304	78	467	0	0	3,608	12,935
Public administration	0	1,819	622	6,459	22,306	0	5,748	30	296	0	0	1,425	38,705
Education, health and art	0	8	7	0	0	0	2,626	5	336	0	1	553	3,536
Households	0	0	146	0	0	0	64,198	118	423	0	0	9,698	74,584
Other	0	5	0	117	196	0	8	13	3	0	0	32	373
Total	**1,009**	**5,516**	**2,938**	**8,828**	**26,059**	**19,111**	**147,243**	**1,441**	**3,914**	**0**	**132**	**39,673**	**255,864**

in EUR million	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Financial assets - held to maturity	Financial assets - held for trading	Financial assets - at fair value through profit or loss	Financial assets – available for sale	Positive fair value of derivatives	Contingent liabilities	Total
		At amortised cost			At fair value					
				Debt securities						
Dec 17										
Agriculture and forestry	0	0	2,642	0	0	0	0	1	295	2,937
Mining	0	0	364	0	6	0	17	1	398	787
Manufacturing	0	0	10,734	1	8	0	259	40	4,688	15,729
Energy and water supply	0	0	3,270	0	9	0	142	49	758	4,227
Construction	0	0	6,451	100	2	0	231	2	3,680	10,466
Development of building projects	0	0	3,834	0	1	0	8	1	1,156	5,001
Trade	0	0	8,298	0	0	0	56	9	2,995	11,358
Transport and communication	0	0	3,913	135	58	0	1,013	36	1,746	6,901
Hotels and restaurants	0	0	3,709	0	0	0	1	4	554	4,269
Financial and insurance services	1,027	9,094	3,789	1,411	548	335	2,657	3,802	1,806	24,468
Holding companies	0	0	1,718	41	12	0	160	5	523	2,458
Real estate and housing	0	0	23,121	32	31	0	78	66	3,282	26,610
Services	0	1	8,375	31	60	0	338	39	2,782	11,626
Public administration	0	34	5,713	18,067	2,165	68	9,788	160	1,065	37,060
Education, health and art	0	0	2,813	0	0	0	7	8	403	3,232
Private households	0	0	60,298	0	0	0	0	0	5,555	65,854
Other	1	3	19	27	2	0	307	0	288	648
Total	**1,028**	**9,133**	**143,509**	**19,804**	**2,887**	**403**	**14,896**	**4,217**	**30,295**	**226,172**

Credit risk exposure by industry and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 18							
Agriculture and forestry	2,571	327	134	44	3,077	19	3,096
Mining	616	34	28	20	697	20	717
Manufacturing	15,160	1,265	523	49	16,997	1,036	18,033
Energy and water supply	3,611	324	77	8	4,019	128	4,147
Construction	9,259	786	502	25	10,572	845	11,417
Development of building projects	4,508	272	56	2	4,839	251	5,090
Trade	10,935	982	449	55	12,420	272	12,692
Transport and communication	6,687	343	111	12	7,152	327	7,479
Hotels and restaurants	3,924	500	278	29	4,731	44	4,775
Financial and insurance services	29,535	515	63	15	30,127	5,339	35,467
Holding companies	2,424	102	44	14	2,584	162	2,747
Real estate and housing	25,561	1,227	427	157	27,372	532	27,904
Services	11,083	948	300	18	12,348	586	12,934
Public administration	35,793	381	1	3	36,179	2,526	38,705
Education, health and art	2,912	349	226	1	3,488	48	3,536
Households	67,276	5,212	1,584	162	74,233	351	74,584
Other	370	1	0	0	371	6	377
Total	**225,292**	**13,193**	**4,704**	**595**	**243,784**	**12,079**	**255,864**

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 18					
Agriculture and forestry	2,026	753	136	180	3,096
Mining	620	39	11	48	717
Manufacturing	15,127	1,856	470	580	18,033
Energy and water supply	3,408	498	157	85	4,147
Construction	8,878	1,546	467	525	11,417
Development of building projects	4,180	683	169	58	5,090
Trade	9,806	1,887	489	510	12,692
Transport and communication	6,485	685	186	123	7,479
Hotels and restaurants	3,433	767	262	313	4,775
Financial and insurance services	34,271	885	231	79	35,467
Holding companies	2,501	157	30	59	2,747
Real estate and housing	23,163	3,130	1,035	576	27,904
Services	11,058	1,256	293	327	12,934
Public administration	38,236	254	209	6	38,705
Education, health and art	2,736	424	149	228	3,536
Households	64,557	6,314	1,980	1,734	74,584
Other	321	1	55	0	377
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**
Dec 17					
Agriculture and forestry	2,207	487	41	202	2,937
Mining	690	30	6	61	787
Manufacturing	13,541	1,363	228	597	15,729
Energy and water supply	3,684	392	34	118	4,227
Construction	8,514	1,126	261	564	10,466
Development of building projects	4,351	475	24	151	5,001
Trade	8,956	1,420	183	798	11,358
Transport and communication	6,140	551	79	131	6,901
Hotels and restaurants	2,945	873	91	360	4,269
Financial and insurance services	23,333	887	83	165	24,468
Holding companies	2,183	113	30	131	2,458
Real estate and housing	23,150	2,532	230	698	26,610
Services	9,865	1,156	126	479	11,626
Public administration	36,833	217	1	9	37,060
Education, health and art	2,514	477	23	219	3,232
Private households	58,056	5,387	539	1,872	65,854
Other	359	5	284	0	648
Total	**200,788**	**16,904**	**2,207**	**6,273**	**226,172**

Credit risk exposure by region and risk category

The geographic analysis of credit exposure is based on the country of risk of the borrower and counterparty. It comprises obligors domiciled in other countries if the economic risk exists in the respective country of risk. The distribution by regions differs from the composition of the credit risk exposure by geographical segments of Erste Group.

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 18					
Core markets	**195,827**	**18,419**	**5,790**	**4,757**	**224,792**
Austria	96,632	7,692	2,065	1,953	108,342
Croatia	7,789	1,087	291	767	9,934
Romania	13,903	1,485	473	565	16,426
Serbia	1,960	291	37	23	2,311
Slovakia	15,941	2,812	1,242	553	20,549
Czech Republic	50.840	4,220	1,256	697	57,013
Hungary	8,762	832	426	198	10,218
Other EU	**19,788**	**894**	**156**	**408**	**21,245**
Other industrialised countries	**4,807**	**142**	**35**	**37**	**5,022**
Emerging markets	**3,704**	**839**	**149**	**113**	**4,804**
Southeastern Europe/CIS	1,798	425	77	94	2,395
Asia	1,497	138	14	3	1,653
Latin America	56	16	13	10	96
Middle East/Africa	352	260	44	5	661
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**
Dec 17					
Core markets	**175,189**	**14,952**	**1,990**	**5,698**	**197,828**
Austria	87,413	7,659	1,268	2,291	98,631
Croatia	7,281	920	144	930	9,275
Romania	12,477	1,744	139	753	15,114
Serbia	1,615	135	7	84	1,843
Slovakia	17,095	1,161	67	595	18,918
Czech Republic	41,016	2,725	258	785	44,784
Hungary	8,291	607	106	260	9,264
Other EU	**18,842**	**1,205**	**176**	**404**	**20,627**
Other industrialised countries	**3,809**	**137**	**9**	**51**	**4,007**
Emerging markets	**2,949**	**610**	**32**	**119**	**3,710**
Southeastern Europe/CIS	1,492	418	26	99	2,035
Asia	856	104	3	0	963
Latin America	50	26	1	15	92
Middle East/Africa	551	62	2	5	620
Total	**200,788**	**16,904**	**2,207**	**6,273**	**226,172**

Credit risk exposure by region and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 18							
Core markets	**201,888**	**11,378**	**4,244**	**519**	**218,028**	**6,764**	**224,792**
Austria	94,756	7,446	1,847	49	104,097	4,244	108,342
Croatia	8,276	580	696	62	9,615	319	9,934
Romania	14,417	1,073	450	134	16,075	351	16,426
Serbia	1,982	54	20	3	2,058	253	2,311
Slovakia	19,441	441	432	133	20,448	101	20,549
Czech Republic	54,230	1,614	672	17	56,533	479	57,013
Hungary	8,786	169	127	120	9,202	1,016	10,218
Other EU	**15,558**	**1,085**	**338**	**56**	**17,037**	**4,208**	**21,245**
Other industrialised countries	**4,414**	**199**	**23**	**15**	**4,651**	**371**	**5,022**
Emerging markets	**3,431**	**531**	**101**	**6**	**4,069**	**735**	**4,804**
Southeastern Europe/CIS	2,039	213	88	6	2,345	50	2,395
Asia	1,032	18	2	0	1,053	600	1,653
Latin America	54	14	5	0	73	22	96
Middle East/Africa	307	286	5	0	598	63	661
Total	**225,292**	**13,193**	**4,704**	**595**	**243,784**	**12,079**	**255,864**

Stage 1 and Stage 2 comprise not impaired credit risks while Stage 3 includes impaired credit risks. POCI (purchased or originated credit impaired) consists of credit risks already impaired when purchased or originated.

The defaulted part of POCI amounted to EUR 471 million, the non-defaulted part to EUR 124 million.

The credit risk exposure increased by EUR 9,711 million, or 9.8% in Austria, and by EUR 17,253 million, or 17.4%, in the CEE core markets. In the other EU member states (EU 28 excluding core markets), the credit risk exposure increased by EUR 618 million, or 3.0%. Growth was recorded as well in other industrialised countries (EUR 1,016 million) and in emerging markets (EUR 1,094 million). In total, Erste Group's core markets and the EU accounted for 96.2% (2017: 96.6%) of credit risk exposure as of 31 December 2018. At 1.9% (2017: 1.6%), the share of emerging markets remained of minor importance.

Credit risk exposure by reporting segment and risk category

The segment reporting of Erste Group is based on the matrix organisation by business segment as well as by geographical segment. The geographical segmentation follows the country markets in which Erste Group operates and the locations of the banking and other financial institutions participations.

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 18					
Retail	54,909	7,216	2,520	1,583	66,228
Corporates	60,200	6,353	1,973	2,048	70,573
Group Markets	25,366	389	62	2	25,819
ALM & LCC	28,769	136	89	12	29,005
Savings Banks	54,210	6,192	1,468	1,666	63,536
GCC	673	8	19	3	703
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**
Dec 17					
Retail	51,988	5,475	522	1,723	59,708
Corporates	56,366	4,529	579	2,641	64,114
Group Markets	15,515	372	31	3	15,921
ALM & LCC	28,183	96	185	15	28,479
Savings Banks	48,683	6,321	801	1,891	57,696
GCC	54	109	90	1	254
Total	**200,788**	**16,904**	**2,207**	**6,273**	**226,172**

Credit risk exposure by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 18							
Retail	60,043	4,113	1,428	161	65,746	482	66,228
Corporates	62,338	3,819	1,691	372	68,219	2,354	70,573
Group Markets	19,678	290	2	0	19,970	5,849	25,819
ALM & LCC	28,668	55	12	0	28,735	271	29,005
Savings Banks	53,921	4,913	1,569	62	60,465	3,071	63,536
GCC	645	2	3	0	650	53	703
Total	**225,292**	**13,193**	**4,704**	**595**	**243,784**	**12,079**	**255,864**

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 18					
Austria	**123,157**	**9,491**	**2,491**	**2,786**	**137,925**
EBOe & Subs.	39,353	2,547	750	636	43,286
Savings Banks	54,210	6,192	1,468	1,666	63,536
Other Austria	29,594	752	273	484	31,103
CEE	**95,417**	**10,760**	**3,620**	**2,498**	**112,297**
Czech Republic	51,499	4,317	1,216	561	57,594
Romania	12,917	1,485	475	603	15,480
Slovakia	14,115	2,744	1,250	487	18,596
Hungary	7,634	797	310	166	8,907
Croatia	7,734	1,126	332	660	9,852
Serbia	1,518	291	37	22	1,868
Other	**5,551**	**42**	**19**	**30**	**5,642**
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 17					
Austria	**111,426**	**9,675**	**1,352**	**3,397**	**125,849**
EBOe & Subs.	35,681	2,523	444	681	39,329
Savings Banks	48,683	6,321	801	1,891	57,696
Other Austria	27,062	830	106	825	28,823
CEE	**84,561**	**7,120**	**766**	**2,851**	**95,298**
Czech Republic	41,616	2,741	254	575	45,186
Romania	11,411	1,753	182	729	14,076
Slovakia	15,641	1,110	63	507	17,320
Hungary	7,094	461	105	215	7,875
Croatia	7,433	961	154	792	9,341
Serbia	1,365	94	7	33	1,500
Other	**4,801**	**109**	**90**	**25**	**5,025**
Total	**200,788**	**16,904**	**2,207**	**6,273**	**226,172**

Credit risk exposure by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 18							
Austria	**115,410**	**9,247**	**2,606**	**102**	**127,365**	**10,560**	**137,925**
EBOe & Subs.	38,838	2,926	597	17	42,378	908	43,286
Savings Banks	53,921	4,913	1,569	62	60,465	3,071	63,536
Other Austria	22,650	1,409	439	24	24,522	6,580	31,103
CEE	**104,388**	**3,903**	**2,068**	**493**	**110,851**	**1,446**	**112,297**
Czech Republic	54,940	1,728	532	21	57,220	374	57,594
Romania	13,760	1,052	489	134	15,435	45	15,480
Slovakia	17,666	347	347	152	18,512	85	18,596
Hungary	7,869	128	94	121	8,211	696	8,907
Croatia	8,549	596	589	62	9,796	57	9,852
Serbia	1,604	52	18	2	1,677	190	1,868
Other	**5,495**	**43**	**30**	**0**	**5,568**	**74**	**5,642**
Total	**225,292**	**13,193**	**4,704**	**595**	**243,784**	**12,079**	**255,864**

Non-performing credit risk exposure and credit loss allowances

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection "Internal rating system". Credit risk allowances include credit loss allowances for financial assets, credit loss allowances for loan commitments and financial guarantees (all allowances within the scope of IFRS 9) and provisions for other commitments.

Credit loss allowances (all stages combined) covered 74.4% (2017: 68.7%) of the reported non-performing on-balance and off-balance credit risk exposure as of 31 December 2018. For the portion of the non-performing credit risk exposure that is not covered by allowances, Erste Group assumes there are sufficient levels of collateral and expected other recoveries.

During 2018, the non-performing credit risk exposure decreased by EUR 958 million, or 15.3%. The substantial improvement of asset quality resulted on one side from a strong decline of new non-performing loans, and on the other side from high recoveries and write-offs, including sales of non-performing loans. The credit loss allowances for loans and advances together with credit loss allowances for loan commitments and financial guarantees decreased by EUR 391 million, or 9.1%. The decrease of the non-performing exposure at a higher rate compared with the decrease of credit loss allowances resulted in a substantial increase of 5.7 percentage points in the coverage of the non-performing credit risk exposure by credit risk allowances.

The following tables show the coverage of the non-performing credit risk exposure by credit loss allowances (without taking into consideration collateral) as of 31 December 2018 and 31 December 2017. The differences in the credit allowance levels between the reporting segments result from the risk situation in the respective markets, different levels of collateralisation as well as the local legal environment and regulatory requirements.

The non-performing exposure ratio (NPE ratio) is calculated as the non-performing credit risk exposure divided by total credit risk exposure while the NPE coverage ratio (excluding collateral) is computed as total credit loss allowances (all allowances within the scope of IFRS 9)divided by non-performing credit risk exposure. Collateral or other recoveries are not taken into account in the NPE coverage ratio.

Non-performing credit risk exposure by business segment and coverage by credit loss allowances and collateral

	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage ratio	NPE collateralisation ratio	
in EUR million	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
Dec 18												
Retail	1,583	1,581	66,228	65,746	-1,341	639	638	2.4%	2.4%	84.8%	40.4%	40.4%
Corporates	2,048	2,017	70,573	68,219	-1,475	699	694	2.9%	3.0%	73.1%	34.1%	34.4%
Group Markets	2	2	25,819	19,970	-13	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	12	12	29,005	28,735	-33	1	1	0.0%	0.0%	285.0%	8.4%	8.8%
Savings Banks	1,666	1,655	63,536	60,465	-1,054	803	800	2.6%	2.7%	63.7%	48.2%	48.4%
GCC	3	1	703	650	-2	3	1	0.4%	0.1%	199.8%	98.2%	93.6%
Total	**5,315**	**5,268**	**255,864**	**243,784**	**-3,919**	**2,145**	**2,134**	**2.1%**	**2.2%**	**74.4%**	**40.4%**	**40.5%**

	Total credit risk exposure						
in EUR million	Non-performing	Total credit risk exposure	Total credit risk provisions	Specific allowances & provisions	Collective allowances & provisions	NPE ratio	NPE coverage ratio
Dec 17							
Retail	1,723	59,708	-1,349	-1,081	-267	2.9%	78.3%
Corporates	2,641	64,114	-1,798	-1,421	-377	4.1%	68.1%
Group Markets	3	15,921	-7	-2	-5	0.0%	266.0%
ALM & LCC	15	28,479	-44	-12	-32	0.1%	302.3%
Savings Banks	1,891	57,696	-1,112	-923	-188	3.3%	58.8%
GCC	1	254	0	0	0	0.3%	16.8%
Total	**6,273**	**226,172**	-4,310	-3,440	-870	**2.8%**	**68.7%**

Non-performing credit risk exposure by geographical segment and coverage by credit loss allowances and collateral

	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage ratio	NPE collateralisation ratio	
in EUR million	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
Dec 18												
Austria	**2,786**	**2,748**	**137,925**	**127,365**	**-1,748**	**1,287**	**1,284**	**2.0%**	**2.2%**	**63.6%**	**46.2%**	**46.7%**
EBOe & Subs.	636	629	43,286	42,378	-405	311	311	1.5%	1.5%	64.3%	48.9%	49.4%
Savings Banks	1,666	1,655	63,536	60,465	-1,054	803	800	2.6%	2.7%	63.7%	48.2%	48.4%
Other Austria	484	464	31,103	24,522	-289	173	173	1.6%	1.9%	62.2%	35.8%	37.3%
CEE	**2,498**	**2,491**	**112,297**	**110,851**	**-2,154**	**855**	**849**	**2.2%**	**2.2%**	**86.5%**	**34.2%**	**34.1%**
Czech Republic	561	559	57,594	57,220	-560	101	101	1.0%	1.0%	100.2%	18.1%	18.1%
Romania	603	601	15,480	15,435	-570	186	184	3.9%	3.9%	94.9%	30.8%	30.7%
Slovakia	487	487	18,596	18,512	-367	228	228	2.6%	2.6%	75.3%	46.7%	46.7%
Hungary	166	163	8,907	8,211	-138	87	86	1.9%	2.0%	84.9%	52.8%	53.0%
Croatia	660	660	9,852	9,796	-488	248	244	6.7%	6.7%	73.9%	37.5%	37.0%
Serbia	22	21	1,868	1,677	-31	5	5	1.2%	1.3%	144.9%	23.3%	23.9%
Other	**30**	**28**	**5,642**	**5,568**	**-17**	**3**	**1**	**0.5%**	**0.5%**	**59.4%**	**9.6%**	**2.8%**
Total	**5,315**	**5,268**	**255,864**	**243,784**	**-3,919**	**2,145**	**2,134**	**2.1%**	**2.2%**	**74.4%**	**40.4%**	**40.5%**

	Total credit risk exposure						
in EUR million	Non-performing	Total credit risk exposure	Total credit risk provisions	Specific allowances & provisions	Collective allowances & provisions	NPE ratio	NPE coverage ratio
Dec 17							
Austria	**3,397**	**125,849**	**-1,917**	**-1,602**	**-316**	**2.7%**	**56.5%**
EBOe & Subs.	681	39,329	-400	-329	-71	1.7%	58.7%
Savings Banks	1,891	57,696	-1,112	-923	-188	3.3%	58.8%
Other Austria	825	28,823	-406	-350	-56	2.9%	49.2%
CEE	**2,851**	**95,298**	**-2,375**	**-1,826**	**-549**	**3.0%**	**83.3%**
Czech Republic	575	45,186	-518	-381	-137	1.3%	90.0%
Romania	729	14,076	-663	-505	-158	5.2%	90.9%
Slovakia	507	17,320	-380	-298	-82	2.9%	75.1%
Hungary	215	7,875	-198	-126	-72	2.7%	92.1%
Croatia	792	9,341	-577	-493	-84	8.5%	72.8%
Serbia	33	1,500	-39	-23	-16	2.2%	119.5%
Other	**25**	**5,025**	**-17**	**-12**	**-5**	**0.5%**	**69.4%**
Total	**6,273**	**226,172**	**-4,310**	**-3,440**	**-870**	**2.8%**	**68.7%**

Expected credit loss measurement

The general principles and standards for credit loss allowances are governed by internal policies in Erste Group. According to IFRS 9, credit loss allowances are calculated for all components of the credit risk exposure, which are measured at amortised cost (AC) or at fair value through other comprehensive income and include other demand deposits, debt securities, loans and advances as well as finance lease and trade receivables. Credit loss allowances for loan commitments and financial guarantees are calculated if they meet the applicable IFRS 9 respective definitions.

According to IFRS 9, there are three main stages outlined for expected credit loss (ECL) determination. Stage 1 includes not credit-impaired financial instruments at initial recognition and not credit-impaired financial instruments without a significant increase in credit risk since initial recognition, irrespective of their credit quality. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

If a significant increase in credit risk (SICR) since initial recognition is identified but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. Financial instruments in Stage 2 have their ECL measured based on expected credit losses on a lifetime (LT) basis. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. Financial instruments in Stage 3 have their ECL measured based on expected credit losses on a LT basis.

Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis.

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are presented below:

Significant increase in credit risk determination

In the area of expected credit loss (ECL) modelling and calculation of ensuing credit loss allowances (CLA), Erste Group has concluded that one of the key drivers of the impact from applying the ECL model required by IFRS 9 is the assessment of a significant increase in credit risk (SICR) based on whether an instrument's credit risk as at the reporting date has increased significantly from the date it was initially originated for exposures that are not identified as credit-impaired as at the date of initial application of IFRS 9 (for retrospective application) or as at any given reporting period after transition to IFRS 9 (for prospective application). In this respect, across portfolios and product types, quantitative and qualitative indicators are defined for assessing SICR, including the indicator of 30 days-past-due (DPD).

Quantitative criteria

Quantitative SICR indicators include adverse changes in annualised lifetime probability of default and in lifetime probability of default with significance being assessed by reference to a mix of relative and absolute change thresholds. The bank has established thresholds for significant increases in credit risk based on both a percentage and absolute change in PD relative to initial recognition. In order to SICR to occur for a particular financial instrument, both the relative and absolute thresholds need to be breached. The relative measure is calculated as a ratio between current annualised PD and annualised PD value on initial recognition. These ratios are compared against limits set up as threshold for SICR assessment. The breach means that such ratio has reached or is higher than the established threshold.

These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to initial and on-going validation.

The absolute threshold refers to difference of PD on initial recognition and current PD. It is set to 50 bps and serves as a back-stop for migrations between the best ratings. In such cases, relative thresholds may be breached, however overall PD is very low, therefore SICR is not positively concluded.

The table below contains an overview of the relative thresholds (which consider the proportionate change in PD) per geographical segment.

Relative thresholds for SICR assessment by geographical segment

	Threshold interval (x times)		Threshold change +/-0.5		Threshold change +/-1	
in EUR million	Min	Max	ECL impact increase	ECL impact decrease	ECL impact increase	ECL impact decrease
Dec 18						
Austria	**1.13**	**2.37**	**-19.9**	**+36.1**	**-32.1**	**+42.6**
EBOe and Subsidiaries	1.13	2.37	-4.9	+11.6	-8.6	+13.3
Savings Banks	1.13	2.37	-11.5	+23.7	-18.0	+28.4
Other Austrian Entities	1.13	2.37	-3.5	+0.8	-5.5	+0.9
CEE	**1.03**	**4.41**	**-17.1**	**+28.7**	**-29.4**	**+62.5**
Czech republic	1.13	3.59	-6.9	+14.7	-11.5	+29.9
Romania	1.13	3.36	-4.8	+5.4	-9.3	+9.6
Slovak republic	1.13	4.41	-2.1	+4.1	-3.6	+8.4
Hungary	1.13	3.57	-0.9	+1.0	-1.5	+3.3
Croatia	1.13	3.13	-0.8	+2.7	-1.8	+9.7
Serbia	1.03	3.47	-1.6	+0.8	-1.7	+1.6
Total	**1.03**	**4.41**	**-37.0**	**+64.8**	**-61.5**	**+105.1**

The ECL impact increase/decrease refers to increasing/lowering the threshold (i.e. if the current threshold is 2.37 and the sensitivity is 0.5, then the increase refers to a threshold of 2.87 and the decrease to a threshold of 1.87, so an increase leads to release of ECL and a decrease to additional allocation).

Thresholds might seem to show high dispersion, but they are driven mainly by regional and rating diversity. Regions with higher credit quality portfolios have lower thresholds than those with lower credit quality portfolios. The minimal threshold in almost all regions of 1.13 refers to sovereign rating classes that are centrally established. The average threshold of the Group is between 2 and 3.

There are certain portfolios where SICR quantitative criteria are assessed based on the ratings rather than PDs. The main rule in those cases is that downgradings of the ratings would lead to a positive conclusion on SICR. These rules are applied primarily to leasing and factoring business receivables.

There are no additional cure periods established for quantitative criteria for migration back to Stage 1 other than those already established in general credit risk practice (e.g. for rating improvement).

Sensitivity of ECL on threshold changes

Determining SICR entails significant assumptions in measuring one year or life-time losses. In the table below, we prepared a sensitivity analysis on how changes in relative thresholds would affect ECL for Erste Group.

Sensitivity is calculated by adding/subtracting the values indicated from the current threshold level. Effects of the threshold changes by +/- 0.5 and +/- 1 are shown, however the threshold is floored to 1, since values of the ratio below 1 indicate creditworthiness improvement (i.e. if the threshold is 1.13, values used for sensitivity analysis for +/- 0.5 would decrease the threshold to 1 and increase the threshold to 1.63).

Qualitative criteria

Qualitative SICR indicators include forbearance-type flags (identification of regulatory forbearance), work-out transfer flags (when the account starts being monitored by the work-out department), information from the early-warning system (if it is not sufficiently considered in the rating) and fraud indicators. The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and in a timely manner. The related group-wide and entity-level credit risk controlling policies and procedures (adapted as necessary in the light of transition to IFRS 9) ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future. Besides the qualitative indicators defined on a client level, the assessment of a significant increase in credit risk is performed on a portfolio level if the increase in credit risk on individual instruments or at a client level is available only with a certain time lag or is observable exclusively on a portfolio level.

There are no additional cure periods established for qualitative criteria for migration back to Stage 1 other than those already established in general credit risk practice for the used above-mentioned flags (forbearance, watch lists).

Backstop

A backstop is applied and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

Low credit risk exemption

The “low credit risk exemption” allowed by IFRS 9 for “investment grade” assets or other assets deemed “low risk” (and resulting in 12 months expected credit losses being calculated irrespective of SICR quantitative measures) has been implemented with limitations in Erste Group. Thus, the potential activation of this exemption is limited to particular types of debt instruments and counterparty categories, and only if supported by sufficient “low risk” evidence. On this basis, the “low risk exemption” is expected to occasionally apply to some debt security exposures and only exceptionally to loans.

As of 31 December 2018, low credit risk exception is applied only to debt securities in the Czech subsidiary (Česká spořitelna) with exposure of EUR 10.3 billion, of which EUR 10.2 billion is in Stage 1 (PDs interval of 0.01% - 0.5%).

Measuring ECL – explanation of inputs and measurement

Collective allowances are calculated for exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2) according to a rule-based approach irrespective of the significance of the customer.

The calculation of collective allowances requires grouping the related exposures into homogenous clusters on the basis of shared risk characteristics. The grouping criteria may differ based on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band, and credit rating band.

The calculation of credit loss allowances is done on a monthly basis on a single exposure level and in the contractual currency of the exposure. To compute the credit loss allowance, Erste Group applies an expected credit loss (ECL) model based on a three-stage approach that leads to either a 12-month ECL or to a lifetime ECL. ECL is the discounted product of exposure at default (EAD) that also includes a credit conversion factor in case of off-balance sheet exposures, probability of default (PD) and loss given default (LGD), defined as follows:

_ PD represents the likelihood of a borrower defaulting on its financial obligation (per definition of default below), either over next 12 months (1Y PD) or over the remaining lifetime (LT PD).
_ EAD is based on the amounts Erste Group expects to be owed at the time of default, over next 12 months (1Y EAD), or over the remaining lifetime (LT EAD). The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default.
_ LGD represents the Erste Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

Life-time parameters

The LT PD is developed through observation of historical defaults from initial recognition through the life-time of the loans. It is assumed to be the same across all assets in the same portfolio and rating band.

The 1Y and LT EADs are determined based on the expected payment profiles, which vary by product type. The LT EAD calculation utilises repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, credit conversion factor is estimated for reflecting the expected credit exposure in the EAD.

The LGD is estimated as a lifetime curve for any point in time, based on historical loss observations.

The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of collective allowances differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis, if the characteristics of the respective portfolio in combination with IFRS standards necessitate this.

Incorporation of forward-looking information

Parameters are determined to reflect the risk as a "point-in-time" measure and with consideration of forward-looking information (FLI), which resulted in introducing a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. The alternative scenarios are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts, where the baseline forecasts are, with a few exceptions, internally determined by Erste Group's research department. Given multiple scenarios, the "neutral" PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers. The same macro-shift models as for external and internal stress test are used. Forward-looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns back to through-the-cycle observations immediately in year four.

Thus, the unbiased probability-weighted ECL is derived using the weights representing the probability of occurrence of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. Nevertheless, the main indication of estimated economic development is the GDP development.

Baseline, upside and downside scenarios of GDP growth by geographical segment

GDP growth in %	Scenario	Probability weight	2018	2019	2020	2021
	Upside	34%	2.8	3.7	3.3	3.1
Austria	Baseline	50%	2.8	2.2	1.8	1.6
	Downside	16%	2.8	0.4	0.0	-0.2
	Upside	14%	3.6	5.1	4.9	4.8
Czech republic	Baseline	50%	3.6	3.1	2.9	2.8
	Downside	36%	3.6	0.8	0.6	0.5
	Upside	34%	4.0	6.3	6.8	6.4
Romania	Baseline	50%	4.0	3.4	3.9	3.5
	Downside	16%	4.0	0.5	0.9	0.5
	Upside	25%	3.9	6.2	5.6	5.5
Slovakia	Baseline	50%	3.9	4.2	3.6	3.5
	Downside	25%	3.9	1.6	1.0	0.9
	Upside	41%	4.7	4.6	3.8	3.8
Hungary	Baseline	50%	4.1	3.3	2.5	2.5
	Downside	9%	3.0	1.1	0.3	0.3
	Upside	32%	2.8	4.2	5.5	5.3
Croatia	Baseline	50%	2.8	2.7	2.6	2.7
	Downside	18%	2.8	1.2	-0.3	0.1
	Upside	25%	2.9	4.8	n/a	n/a
Serbia	Baseline	50%	2.9	3.0	n/a	n/a
	Downside	25%	2.9	1.1	n/a	n/a

The three-stage approach applies to financial instruments within the scope of the impairment requirements of IFRS 9 and those that are not categorised as purchased or originated credit-impaired financial assets (POCI), which form a category of their own. Depending on the impairment status and the assessment of the development of credit risk, these financial instruments are assigned to one of the three stages.

Classification into stages and definition of credit-impaired financial instruments

Stage 1 includes not credit-impaired financial instruments at initial recognition and not credit-impaired financial instruments without a significant increase in credit risk since initial recognition, irrespective of their credit quality, or subject to the "low risk exemption" allowed by IFRS 9. In Stage 1, credit loss allowances are calculated as twelve-month ECL.

Stage 2 includes not credit-impaired financial instruments with a significant increase in credit risk since initial recognition and not subject to the "low credit risk exemption" allowed by IFRS 9, as well as any not credit-impaired exposures subject to the "simplified approach" allowed or requested by IFRS 9. In stage 2, the credit loss allowances are calculated as lifetime ECL. In the case of drawings by non-defaulted customers on previously committed credit lines, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2 depending on the development of credit risk between the commitment date and the drawing date.

Stage 3 includes financial instruments that are credit-impaired at the reporting date but were not credit-impaired at initial recognition. In principle, a financial instrument becomes credit-impaired when the customer defaults. The default definition applied in Erste Group has been developed in accordance with EBA/GL/2016/07 "Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013". The definition specifies the rules for default contagion across groups of connected clients and clarifies the concept of technical default. Erste Group generally applies a customer view in applying the default definition, which leads to an impairment of all claims even if the customer defaults only on one of several transactions ("pulling effect"). On the other hand, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired. In stage 3, credit loss allowances are calculated as lifetime ECLs.

POCI includes financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses against POCI exposures are always calculated on a lifetime basis (cumulative changes in lifetime ECL since initial recognition), and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Grouping of instruments

Credit loss allowances on Stage 3 or POCI exposures are calculated individually or collectively. The individual approach is applied in case of exposures to significant defaulted customers and consists of the individual assessment of the difference between the gross carrying amount and the net present value of the expected cash flows, which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate). However, the discount rate for financial guarantees shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows which in Erste Group's implementation means using a risk free rate as a proxy.

A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. Otherwise, the customer is considered insignificant and a rule-based approach is used for the calculation of the related credit loss allowance. Under this approach, credit loss allowances are calculated as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process.

Composition of credit loss allowances

in EUR million	Dec 17	Dec 18
Specific allowances	-3,274	-
Collective allowances	-713	-
Provisions for guarantees	-323	-
Credit loss allowances	-	-3,590
Credit loss allowances for loan commitments and financial guarantees	-	-329
Provisions for other commitments	-	-14
Total	**-4,310**	**-3,933**

Credit loss allowances are computed based on IFRS 9 requirements, while provisions for other commitments are subject to IAS 37.

Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Restructuring can be business restructuring (in the retail segment), commercial renegotiation (in the corporate segment), or forbearance (e.g. concession due to financial difficulties) in line with EBA requirements in both segments.

Restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good clientele.

Forbearance

The definition of "forbearance" is included in Regulation (EU) 2015/227. A restructuring is considered "forbearance" if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer was more than 30 days past due in the past 3 months;
- the customer would be 30 days past due or more without receiving forbearance;
- the customer is in default;
- the modified contract was classified as non-performing or would be non-performing without forbearance;
- the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains.

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.

Forbearance can be initiated by the bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- non-performing forbearance (incl. non-performing forbearance and defaulted/impaired forbearance).

Forborne exposures are considered performing when:

- the exposure did not have non-performing status at the time the extension of or application for forbearance was approved;
- granting the forbearance has not led to classifying the exposure as non-performing or default.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum of two years:

- an additional forbearance measure is extended and in the past the customer was in the non-performing forbearance category;
- the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category;
- the customer meets any of the default event criteria defined in the default definition;
- for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:

- a minimum of two years have passed from the date of classifying the exposure as performing forbearance (probation period);
- under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid at least during half of the probation period (in the case of retail customers);
- regular repayments in a significant amount during at least half of the probation period have been made (in the case of corporate customers);
- none of the exposure of the customer is more than 30 days past due at the end of the probation period.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all of the following conditions are met:

- one year has passed from the date of classifying the exposure as non-performing forbearance;
- the forbearance has not led the exposure to be classified as non-performing;
- retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
  - the customer has never been more than 30 days past due during the last 6 months and there is no delinquent amount;
  - the customer has repaid the full past due amount or the written-off amount (if there was any).

_ corporate customers: analysis of financial developmentthat leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the monitoring period and there is no delinquent amount.

In the corporate segment, recognition of forbearance measures typically leads to the involvement of the responsible local workout unit. The largest part of the forbearance measures are set and monitored within the responsibility of the local workout units according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as qualitative trigger events in the SICR concept according to the internal regulations of Erste Group.

Credit risk exposure, forbearance exposure and credit loss allowances

in EUR million	Loans and advances	Debt securities	Other positions	Loan commitments	Total
Dec 18					
Gross exposure	**171,996**	**37,537**	**17,528**	**28,802**	**255,864**
thereof gross forborne exposure	2,486	3	0	95	2,584
Performing exposure	167,133	37,508	17,241	28,667	250,549
thereof performing forborne exposure	857	0	0	27	884
Credit loss allowances for performing exposure	-825	-16	-73	-70	-984
thereof credit loss allowances for performing forborne exposure	-42	0	0	-2	-44
Non-performing exposure	4,862	30	288	135	5,315
thereof non-performing forborne exposure	1,629	3	0	68	1,700
Credit loss allowances for non-performing exposure	-2,748	-2	-153	-47	-2,951
thereof credit loss allowances for non-performing forborne exposure	-764	-2	0	-16	-781

in EUR million	Loans and receivables	Financial assets	Other balance sheet positions	Contingent liabilities	Total
Dec 17					
Gross exposure	**152,642**	**37,990**	**5,245**	**30,295**	**226,172**
thereof gross forborne exposure	3,033	0	0	178	3,210
Performing exposure	146,863	37,985	5,244	29,807	219,899
thereof performing forborne exposure	1,188	0	0	36	1,224
Credit risk provisions for performing exposure	-710	-3	0	-141	-854
thereof credit risk provisions for performing forborne exposure	-42	0	0	0	-43
Non-performing exposure	5,778	5	2	488	6,273
thereof non-performing forborne exposure	1,845	0	0	142	1,986
Credit risk provisions for non-performing exposure	-3,274	0	0	-181	-3,455
thereof credit risk provisions for non-performing forborne exposure	-929	0	0	-14	-944

Types of forbearance exposure

in EUR million	Gross forborne exposure	Modification in terms and conditions	Refinancing
Dec 18			
Loans and advances	2,486	2,188	298
Debt securities	3	3	0
Loan commitments	95	79	16
Total	**2,584**	**2,271**	**314**
Dec 17			
Loans and receivables	3,033	2,730	302
Financial assets	0	0	0
Contingent liabilities	178	159	18
Total	**3,210**	**2,890**	**321**

Loans and advances also include lease, trade and other receivables.

Credit quality of forbearance exposure by geographical segment

in EUR million	Gross forborne exposure	Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired	Collateral	Credit loss allowances
Dec 18						
Austria	**1,597**	**642**	**42**	**913**	**851**	**-428**
EBOe & Subs.	368	185	7	176	212	-84
Savings Banks	945	437	26	482	528	-233
Other Austria	284	20	9	256	112	-112
CEE	**987**	**248**	**30**	**709**	**338**	**-397**
Czech Republic	124	41	0	83	35	-53
Romania	298	72	10	216	73	-147
Slovakia	271	69	10	192	135	-99
Hungary	48	18	6	24	23	-16
Croatia	233	41	3	189	71	-78
Serbia	13	7	1	5	2	-4
Other	**0**	**0**	**0**	**0**	**0**	**0**
Total	**2,584**	**890**	**72**	**1,622**	**1,190**	**-825**
Dec 17						
Austria	**1,847**	**771**	**51**	**1,025**	**914**	**-488**
EBOe & Subs.	371	188	12	171	207	-74
Savings Banks	1,041	481	39	521	581	-250
Other Austria	434	102	0	332	126	-164
CEE	**1,364**	**513**	**56**	**795**	**391**	**-498**
Czech Republic	160	53	8	98	43	-60
Romania	633	311	12	310	123	-223
Slovakia	294	72	12	211	141	-109
Hungary	71	37	8	26	34	-18
Croatia	189	37	15	137	46	-78
Serbia	17	3	1	14	4	-10
Other	**0**	**0**	**0**	**0**	**0**	**0**
Total	**3,210**	**1,283**	**107**	**1,820**	**1,304**	**-986**

Collateral

Recognition of collateral

The Collateral Management department is a staff unit within the Corporate Portfolio Monitoring and Management Department. The Group Collateral Management Policy defines, among other things, uniform valuation standards for credit collateral across the entire group. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.

All collateral types acceptable within the group are contained in the Group Collateral Catalogue. Locally permitted collateral is defined by the respective bank in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Group Collateral Catalogue broken down by collateral type and based on the internal work instructions in accordance with the individual supervisory requirements. Whether a type of collateral or a specific collateral asset is accepted for credit risk mitigation is decided by Enterprise-wide Risk Management after determining if the applicable regulatory requirements are met. Credit underwriting monitors adherence to the standard work processes stipulated for assigning the acceptable collateral assets to the categories available.

Main types of collateral

The following types of collateral are accepted:

- real estate: residential and commercial real estate;
- financial collateral: securities, cash deposits and life insurance policies;
- guarantees: given by sovereigns, public sector entities, financial institutes, companies and individuals. All guarantors must have a minimum credit rating, which is reviewed annually;
- movables: equipment, investment goods, machinery and motor vehicles;
- claims and rights: trade account receivables, leasehold rights and shares in a company's capital.

Protection by credit default swaps is only marginally used in the banking book.

Collateral valuation and management

Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined and their IT-supported technical application is performed by Collateral Management at group level and by authorised staff in each country with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction. Therefore, imputed excess collateral values are not possible. Only independent appraisers not involved in the lending decision process are permitted to conduct real estate valuations, and the valuation methods to be applied are defined. For quality assurance purposes, the real estate evaluation mechanism and real estate valuations itself are validated on an ongoing basis.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on recoveries from realising collateral. The valuation methods are adjusted regularly – at least once a year – to reflect current recoveries.

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons.

Concentration risks resulting from credit risk mitigation techniques may affect a single customer, but also a portfolio defined by region, industry, or type of collateral. Erste Group is a retail bank, and, due to its customer structure and the markets in which it operates, it does not have any concentrations with respect to collateral from customers. All guarantee liabilities and loans of a corporate guarantee provider are taken into consideration in the credit application process in order to prevent possible concentrations. Guarantees provided by sovereigns, a public sector entity or financial institutions have to lie within the approved limit of the guarantor. Concerning other areas of a potentially detrimental correlation of risks, the collateral portfolios are analysed using statistical evaluations for, among other things, regional or industry-specific concentrations within the scope of portfolio monitoring. The response to those risks identified includes, above all, the adjustment of volume targets, setting of corresponding limits and modification of the staff's discretionary limits for lending.

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, residential real estate properties and transport vehicles are taken into Erste Group's possession. As of 31 December 2018, the carrying value of these assets amounted to EUR 598 million (2017: EUR 167 million).

The following tables compare the credit risk exposure broken down by business and geographical segments to the allocated collateral. The amount of allocated collateral corresponds to the accepted value after internal haircuts capped by the exposure amount.

Credit risk exposure by business segment and collateral

in EUR million	Total credit risk exposure	Collateral total	Collateralised by Guarantees	Collateralised by Real estate	Collateralised by Other	Credit risk exposure net of collateral
Dec 18						
Retail	66,228	37,338	1,338	33,081	2,918	28,890
Corporates	70,573	24,543	4,468	14,930	5,145	46,030
Group Markets	25,819	14,238	923	28	13,287	11,581
ALM & LCC	29,005	4,522	1,189	6	3,327	24,484
Savings Banks	63,536	29,264	1,440	24,426	3,398	34,272
GCC	703	425	0	18	407	278
Total	**255,864**	**110,330**	**9,358**	**72,489**	**28,482**	**145,534**
Dec 17						
Retail	59,708	33,829	1,199	30,236	2,393	25,879
Corporates	64,114	23,122	4,794	14,246	4,082	40,992
Group Markets	15,921	5,578	631	31	4,916	10,343
ALM & LCC	28,479	4,366	741	2	3,624	24,112
Savings Banks	57,696	27,302	1,418	22,503	3,381	30,394
GCC	254	18	0	0	18	235
Total	**226,172**	**94,215**	**8,783**	**67,018**	**18,414**	**131,957**

Credit risk exposure by geographical segment and collateral

in EUR million	Total credit risk exposure	Collateral total	Collateralised by Guarantees	Collateralised by Real estate	Collateralised by Other	Credit risk exposure net of collateral
Dec 18						
Austria	**137,925**	**62,400**	**5,454**	**46,242**	**10,703**	**75,525**
EBOe & Subs.	43,286	24,048	2,137	19,165	2,746	19,239
Savings Banks	63,536	29,264	1,440	24,426	3,398	34,272
Other Austria	31,103	9,088	1,878	2,651	4,559	22,014
CEE	**112,297**	**47,042**	**3,456**	**26,229**	**17,358**	**65,254**
Czech Republic	57,594	27,848	1,078	11,797	14,973	29,745
Romania	15,480	5,034	1,460	2,710	864	10,446
Slovakia	18,596	8,117	93	7,651	373	10,479
Hungary	8,907	2,397	307	1,690	400	6,509
Croatia	9,852	3,091	511	1,933	647	6,762
Serbia	1,868	555	7	447	101	1,313
Other	**5,642**	**888**	**448**	**18**	**421**	**4,755**
Total	**255,864**	**110,330**	**9,358**	**72,489**	**28,482**	**145,534**
Dec 17						
Austria	**125,849**	**60,060**	**5,620**	**43,962**	**10,478**	**65,789**
EBOe & Subs.	39,329	23,358	2,224	18,520	2,614	15,972
Savings Banks	57,696	27,302	1,418	22,503	3,381	30,394
Other Austria	28,823	9,401	1,978	2,940	4,483	19,423
CEE	**95,298**	**33,773**	**2,830**	**23,056**	**7,887**	**61,525**
Czech Republic	45,186	16,935	811	10,083	6,041	28,251
Romania	14,076	4,075	1,138	2,365	571	10,001
Slovakia	17,320	7,279	92	6,898	289	10,041
Hungary	7,875	2,078	170	1,604	305	5,797
Croatia	9,341	2,976	605	1,766	605	6,365
Serbia	1,500	430	15	340	75	1,070
Other	**5,025**	**382**	**333**	**0**	**49**	**4,643**
Total	**226,172**	**94,215**	**8,783**	**67,018**	**18,414**	**131,957**

Credit risk exposure by financial instrument and collateral

in EUR million	Total credit risk exposure	Total collateral	Collateralised by: Guarantees	Collateralised by: Real estate	Collateralised by: Other	Credit risk exposure net of collateral	IFRS 9 impairment relevant: Neither past due nor credit impaired	IFRS 9 impairment relevant: Past due but not credit impaired	IFRS 9 impairment relevant: Credit impaired
Dec 18									
Cash and cash balances - demand deposits to credit institutions	1,009	68	0	0	68	941	1,003	6	0
Debt instruments held for trading	5,516	1,116	79	0	1,037	4,401	0	0	0
Non-trading debt instruments at FVPL	2,938	223	48	159	16	2,715	0	0	0
Debt instruments at FVOCI	8,828	782	782	0	0	8,045	8,828	0	0
Debt instruments at AC	192,413	101,123	7,180	69,552	24,390	91,290	186,196	1,862	4,354
Debt securities	26,059	778	778	0	0	25,281	26,055	0	4
Loans and advances to banks	19,111	16,656	358	0	16,299	2,455	19,108	0	2
Loans and advances to customers	147,243	83,689	6,045	69,552	8,092	63,555	141,033	1,862	4,348
Trade and other receivables	1,441	17	5	1	11	1,423	1,236	84	121
Finance lease receivables	3,914	2,239	61	500	1,677	1,676	3,462	168	284
Debt instruments held for sale in disposal groups	0	0	0	0	0	0	0	0	0
Positive fair value of hedge accounting derivatives	132	41	0	0	41	91	0	0	0
Off-balance sheet exposures	39,673	4,721	1,203	2,277	1,241	34,952	35,719	69	393
thereof other commitments	3,493	317	157	67	93	3,176	0	0	0
Total	**255,864**	**110,330**	**9,358**	**72,489**	**28,482**	**145,534**	**236,444**	**2,189**	**5,152**
Dec 17									
Cash and cash balances – other demand deposits	1,028	193	0	0	193	835	1,021	7	0
Loans and receivables to credit institutions	9,133	6,862	207	0	6,654	2,271	9,121	10	2
Loans and receivables to customers	143,509	80,383	6,335	64,893	9,155	63,126	135,165	2,777	5,566
Financial assets - held to maturity	19,804	362	362	0	0	19,442	19,790	14	0
Financial assets - held for trading	2,887	71	47	0	23	2,817	2,887	0	0
Financial assets - at fair value through profit or loss	403	19	19	0	0	384	403	0	0
Financial assets - available for sale	14,896	766	766	0	0	14,130	14,891	0	5
Positive fair value of derivatives	4,217	1,453	0	0	1,453	2,764	4,216	0	1
Contingent liabilities	30,295	4,107	1,046	2,125	935	26,188	29,780	194	320
Total	**226,172**	**94,215**	**8,783**	**67,018**	**18,414**	**131,957**	**217,275**	**3,002**	**5,895**

The collateral attributable to exposures that are credit-impaired at 31 December 2018 amounts to EUR 2,134 million.

Credit risk exposure past due and not covered by credit loss allowances by financial instrument and collateralisation

in EUR million	Total credit risk exposure						Thereof collateralised					
	Total	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	>180 days past due	Total	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	> 180 days past due
Dec 17												
Cash and cash balances – other demand deposits	7	7	0	0	0	0	0	0	0	0	0	0
Loans and receivables to credit institutions	10	6	0	0	0	3	0	0	0	0	0	0
Loans and receivables to customers	2,777	2,197	317	156	32	76	1,365	1,068	165	80	13	38
Financial assets - held to maturity	14	0	14	0	0	0	0	0	0	0	0	0
Financial assets - held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - available for sale	0	0	0	0	0	0	0	0	0	0	0	0
Positive fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Contingent liabilities	194	186	5	1	0	1	37	35	0	1	0	0
Total	**3,002**	**2,396**	**336**	**157**	**32**	**80**	**1,402**	**1,103**	**166**	**81**	**13**	**38**

As the presentation of “Credit risk exposure past due and not covered by credit loss allowances by financial instrument and collateralisation” is not requested anymore by IFRS 7, the information is no longer disclosed.

Loans and advances to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken down by different categories. Loans and advances to customers comprise:

_ loans to customers at FVPL;
_ loans and advances to customers at AC;
_ finance lease receivables;
_ trade and other receivables.

The presentation is by gross carrying amount excluding loan loss allowances and collateral.

On the following pages, loans and advances to customers are presented by:

_ business segment and risk category;
_ business segment and IFRS 9 treatment;
_ geographical segment and risk category;
_ geographical segment and IFRS 9 treatment;
_ business segment and coverage of non-performing loans and advances to customers by loan loss allowances and collateral;
_ business segment and coverage by loan loss allowances and IFRS 9 treatment;
_ geographical segment and coverage of non-performing loans and advances to customers by loan loss allowances and collateral;
_ geographical segment and coverage by loan loss allowances and IFRS 9 treatment;
_ business segment and currency;
_ geographical segment and currency.

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 18					
Retail	46,081	6,542	2,350	1,560	56,533
Corporates	41,998	4,844	1,568	1,721	50,131
Group Markets	1,097	107	1	0	1,205
ALM & LCC	126	41	73	11	251
Savings Banks	36,944	4,881	1,236	1,586	44,647
GCC	57	3	7	3	69
Total	**126,303**	**16,418**	**5,234**	**4,881**	**152,836**
Dec 17					
Retail	45,516	5,025	501	1,691	52,734
Corporates	40,790	3,729	417	2,312	47,249
Group Markets	933	231	5	0	1,169
ALM & LCC	111	30	51	14	206
Savings Banks	34,551	5,159	654	1,758	42,122
GCC	20	4	5	1	30
Total	**121,921**	**14,179**	**1,633**	**5,776**	**143,509**

Loans and advances to customers by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Dec 18							
Retail	51,191	3,631	1,411	158	56,391	142	56,533
Corporates	45,262	3,039	1,431	316	50,047	84	50,131
Group Markets	1,190	15	0	0	1,205	0	1,205
ALM & LCC	225	15	11	0	251	0	251
Savings Banks	38,767	4,257	1,499	61	44,586	61	44,647
GCC	64	1	3	0	69	0	69
Total	**136,700**	**10,958**	**4,355**	**536**	**152,549**	**287**	**152,836**

Stage 1 and Stage 2 comprise not credit impaired loans and advances while Stage 3 includes credit impaired loans and advances. POCI (purchased or originated credit impaired) consists of loans already credit impaired when purchased or originated.

The defaulted part of POCI loans amounted to EUR 418 million, the non-defaulted part to EUR 117 million.

Loans and advances to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 18					
Austria	**79,323**	**7,323**	**2,132**	**2,635**	**91,413**
EBOe & Subs.	29,870	2,104	682	601	33,256
Savings Banks	36,944	4,881	1,236	1,586	44,647
Other Austria	12,510	339	214	448	13,511
CEE	**46,803**	**9,058**	**3,095**	**2,216**	**61,172**
Czech Republic	22,308	3,612	1,054	492	27,466
Romania	6,279	1,109	396	476	8,260
Slovakia	9,204	2,601	1,095	438	13,337
Hungary	3,055	646	257	152	4,109
Croatia	4,996	847	257	638	6,739
Serbia	961	244	36	21	1,262
Other	**177**	**36**	**7**	**30**	**250**
Total	**126,303**	**16,418**	**5,234**	**4,881**	**152,836**
Dec 17					
Austria	**74,809**	**7,960**	**1,019**	**3,112**	**86,900**
EBOe & Subs.	28,681	2,181	294	631	31,787
Savings Banks	34,551	5,159	654	1,758	42,122
Other Austria	11,578	620	71	723	12,991
CEE	**46,934**	**6,214**	**609**	**2,639**	**56,396**
Czech Republic	22,481	2,298	183	525	25,487
Romania	5,452	1,559	116	632	7,759
Slovakia	10,514	1,014	62	458	12,048
Hungary	3,038	416	103	209	3,766
Croatia	4,601	849	138	783	6,371
Serbia	848	79	6	32	965
Other	**179**	**4**	**5**	**25**	**212**
Total	**121,921**	**14,179**	**1,633**	**5,776**	**143,509**

Loans and advances to customers by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Dec 18							
Austria	**80,911**	**7,771**	**2,478**	**101**	**91,261**	**153**	**91,413**
EBOe & Subs.	30,136	2,503	568	17	33,224	32	33,256
Savings Banks	38,767	4,257	1,499	61	44,586	61	44,647
Other Austria	12,007	1,011	410	22	13,451	60	13,511
CEE	**55,612**	**3,145**	**1,847**	**435**	**61,038**	**134**	**61,172**
Czech Republic	25,598	1,380	464	21	27,463	3	27,466
Romania	6,905	853	372	128	8,259	1	8,260
Slovakia	12,561	330	343	103	13,337	0	13,337
Hungary	3,656	121	83	119	3,979	130	4,109
Croatia	5,699	411	567	62	6,739	0	6,739
Serbia	1,192	50	18	2	1,262	0	1,262
Other	**177**	**43**	**30**	**0**	**250**	**0**	**250**
Total	**136,700**	**10,958**	**4,355**	**536**	**152,549**	**287**	**152,836**

In the following tables, the non-performing loans and advances to customers divided by reporting segment are contrasted with allowances for customer loans (all allowances for loans and advances to customers within the scope of IFRS 9) and the collateral for non-performing loans (NPL). The NPL ratio, the NPL coverage ratio (excluding collateral), and the NPL collateralisation ratio are also included.

Non-performing loans and advances to customers by business segment and coverage by loan loss allowances and collateral

	Non-performing		Customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Dec 18												
Retail	1,560	1,557	56,533	56,391	-1,310	637	636	2.8%	2.8%	84.2%	40.9%	40.9%
Corporates	1,721	1,701	50,131	50,047	-1,256	621	620	3.4%	3.4%	73.8%	36.1%	36.5%
Group Markets	0	0	1,205	1,205	-4	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	11	11	251	251	-19	1	1	4.3%	4.3%	180.6%	9.4%	9.4%
Savings Banks	1,586	1,583	44,647	44,586	-971	785	782	3.6%	3.6%	61.4%	49.5%	49.4%
GCC	3	1	69	69	-2	3	1	4.1%	1.0%	237.5%	99.8%	99.2%
Total	**4,881**	**4,853**	**152,836**	**152,549**	**-3,563**	**2,046**	**2,041**	**3.2%**	**3.2%**	**73.4%**	**41.9%**	**42.1%**

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

in EUR million	Non-performing	Customer loans	Allowances for customer loans	Specific allowances	Collective allowances	NPL ratio	NPL coverage ratio	Collateral for NPL	NPL total coverage ratio
Dec 17									
Retail	1,691	52,734	-1,319	-1,075	-244	3.2%	78.0%	714	120.2%
Corporates	2,312	47,249	-1,605	-1,310	-294	4.9%	69.4%	807	104.3%
Group Markets	0	1,169	-2	0	-2	0.0%	>500.0%	0	>500.0%
ALM & LCC	14	206	-25	-12	-14	6.6%	187.7%	0	190.5%
Savings Banks	1,758	42,122	-1,026	-875	-151	4.2%	58.3%	850	106.7%
GCC	1	30	0	0	0	2.3%	16.5%	1	115.5%
Total	**5,776**	**143,509**	-3,977	-3,272	-705	**4.0%**	**68.8%**	**2,372**	**109.9%**

Loans and advances to customers at AC and coverage by loan loss allowances by business segment and IFRS 9 treatment

	Loans to customers				Loan loss allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 18											
Retail	51,191	3,631	1,411	158	-124	-203	-913	-71	5.6%	64.7%	45.0%
Corporates	45,262	3,039	1,431	316	-138	-131	-900	-87	4.3%	62.9%	27.4%
Group Markets	1,190	15	0	0	-3	0	0	0	0.9%	87.0%	100.0%
ALM & LCC	225	15	11	0	0	-11	-8	0	68.4%	79.0%	0.0%
Savings Banks	38,767	4,257	1,499	61	-78	-131	-747	-16	3.1%	49.8%	25.5%
GCC	64	1	3	0	0	0	-1	0	1.2%	46.4%	0.0%
Total	**136,700**	**10,958**	**4,355**	**536**	**-344**	**-476**	**-2,570**	**-174**	**4.3%**	**59.0%**	**32.4%**

Non-performing loans and advances to customers by geographical segment and coverage by loan loss allowances and collateral

	Non-performing		Customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Dec 18												
Austria	**2,635**	**2,617**	**91,413**	**91,261**	**-1,591**	**1,265**	**1,263**	**2.9%**	**2.9%**	**60.8%**	**48.0%**	**48.3%**
EBOe & Subs.	601	600	33,256	33,224	-368	308	308	1.8%	1.8%	61.4%	51.3%	51.3%
Savings Banks	1,586	1,583	44,647	44,586	-971	785	782	3.6%	3.6%	61.4%	49.5%	49.4%
Other Austria	448	434	13,511	13,451	-251	173	173	3.3%	3.2%	57.9%	38.6%	39.8%
CEE	**2,216**	**2,208**	**61,172**	**61,038**	**-1,956**	**778**	**777**	**3.6%**	**3.6%**	**88.6%**	**35.1%**	**35.2%**
Czech Republic	492	492	27,466	27,463	-497	101	101	1.8%	1.8%	101.2%	20.6%	20.6%
Romania	476	469	8,260	8,259	-477	159	159	5.8%	5.7%	101.7%	33.5%	34.0%
Slovakia	438	438	13,337	13,337	-354	192	192	3.3%	3.3%	80.9%	44.0%	44.0%
Hungary	152	150	4,109	3,979	-128	86	85	3.7%	3.8%	85.3%	56.6%	56.4%
Croatia	638	638	6,739	6,739	-469	234	234	9.5%	9.5%	73.5%	36.6%	36.6%
Serbia	21	21	1,262	1,262	-29	5	5	1.7%	1.7%	139.4%	23.9%	23.9%
Other	**30**	**28**	**250**	**250**	**-16**	**3**	**1**	**12.1%**	**11.3%**	**56.9%**	**9.3%**	**2.5%**
Total	**4,881**	**4,853**	**152,836**	**152,549**	**-3,563**	**2,046**	**2,041**	**3.2%**	**3.2%**	**73.4%**	**41.9%**	**42.1%**

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

in EUR million	Non-performing	Customer loans	Allowances for customer loans	Specific allowances	Collective allowances	NPL ratio	NPL coverage ratio	Collateral for NPL	NPL total coverage ratio
Dec 17									
Austria	**3,112**	**86,900**	**-1,749**	**-1,503**	**-246**	**3.6%**	**56.2%**	**1,437**	**102.4%**
EBOe & Subs.	631	31,787	-360	-310	-50	2.0%	57.1%	324	108.4%
Savings Banks	1,758	42,122	-1,026	-875	-151	4.2%	58.3%	850	106.7%
Other Austria	723	12,991	-363	-318	-44	5.6%	50.2%	263	86.6%
CEE	**2,639**	**56,396**	**-2,214**	**-1,757**	**-457**	**4.7%**	**83.9%**	**935**	**119.3%**
Czech Republic	525	25,487	-486	-381	-105	2.1%	92.5%	120	115.3%
Romania	632	7,759	-586	-449	-137	8.1%	92.7%	222	127.8%
Slovakia	458	12,048	-365	-290	-75	3.8%	79.7%	200	123.3%
Hungary	209	3,766	-186	-125	-61	5.5%	89.3%	122	147.5%
Croatia	783	6,371	-556	-490	-66	12.3%	70.9%	262	104.3%
Serbia	32	965	-36	-22	-14	3.3%	112.0%	10	143.4%
Other	**25**	**212**	**-14**	**-12**	**-2**	**11.7%**	**56.6%**	**1**	**59.4%**
Total	**5,776**	**143,509**	**-3,977**	**-3,272**	**-705**	**4.0%**	**68.8%**	**2,372**	**109.9%**

The NPL ratio of loans and advances to customers is calculated by dividing the gross carrying amount of non-performing loans and advances to customers by the total gross carrying amount of loans and advances to customers. Consequently, it differs from the NPE ratio in section “Credit risk exposure”. Collaterals for non-performing loans mainly consist of real estates.

The NPL coverage ratio (excluding collateral) is calculated by dividing total loss allowances by the gross carrying amount of the non-performing loans and advances to customers. Collateral or other recoveries are not taken into account.

Loans and advances to customers at AC and coverage by loan loss allowances by geographical segment and IFRS 9 treatment

	Loans to customers				Loan loss allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 18											
Austria	**80,911**	**7,771**	**2,478**	**101**	**-132**	**-204**	**-1,231**	**-24**	**2.6%**	**49.7%**	**24.1%**
EBOe & Subs.	30,136	2,503	568	17	-34	-53	-273	-9	2.1%	48.1%	50.3%
Savings Banks	38,767	4,257	1,499	61	-78	-131	-747	-16	3.1%	49.8%	25.5%
Other Austria	12,007	1,011	410	22	-21	-20	-211	0	1.9%	51.4%	0.0%
CEE	**55,612**	**3,145**	**1,847**	**435**	**-211**	**-271**	**-1,324**	**-149**	**8.6%**	**71.7%**	**34.3%**
Czech Republic	25,598	1,380	464	21	-77	-85	-326	-9	6.2%	70.2%	46.1%
Romania	6,905	853	372	128	-30	-100	-301	-47	11.7%	80.8%	36.4%
Slovakia	12,561	330	343	103	-36	-34	-233	-51	10.3%	68.0%	49.9%
Hungary	3,656	121	83	119	-14	-16	-63	-35	13.4%	76.5%	29.1%
Croatia	5,699	411	567	62	-46	-29	-389	-6	7.0%	68.5%	10.1%
Serbia	1,192	50	18	2	-8	-8	-13	-1	15.1%	72.1%	40.6%
Other	**177**	**43**	**30**	**0**	**-1**	**-1**	**-15**	**0**	**2.3%**	**47.9%**	**0.0%**
Total	**136,700**	**10,958**	**4,355**	**536**	**-344**	**-476**	**-2,570**	**-174**	**4.3%**	**59.0%**	**32.4%**

The NPL exposures above exclude any write-offs recognised in accordance with IFRS 9. Erste Group distinguishes between contractual write-offs (debt forgiveness towards the defaulted client, either unconditional or subject to conditions) and technical write-offs (claim removal from the books due to no reasonable expectation of recovery, whereby the legal claim towards the customer still remains). Both types of write-offs have as a pre-condition that all reasonable workout measures and late collections tools have been applied for optimal recovery. In case of collateralised loans, write-off prior to the realisation of the collateral is not allowed unless specific circumstances apply. Additional technical write-off triggers include enforcement, worthlessness of claim/collateral, legally binding bankruptcy/liquidation or other economic loss of the rights to claim/sale. The amount written off during 2018, which is still subject to enforcement activity, totals EUR 266 million.

Loans and advances to customers by business segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Dec 18						
Retail	31,111	23,548	1,340	15	519	56,533
Corporates	36,134	9,963	205	2,738	1,091	50,131
Group Markets	890	209	0	103	3	1,205
ALM & LCC	153	93	0	4	0	251
Savings Banks	41,462	457	2,013	98	617	44,647
GCC	34	21	0	14	0	69
Total	**109,784**	**34,291**	**3,558**	**2,972**	**2,231**	**152,836**
Dec 17						
Retail	29,642	21,228	1,466	18	380	52,734
Corporates	34,500	9,164	405	2,269	911	47,249
Group Markets	706	306	0	156	1	1,169
ALM & LCC	147	57	0	1	1	206
Savings Banks	38,853	392	2,237	83	557	42,122
GCC	11	19	0	0	0	30
Total	**103,858**	**31,166**	**4,107**	**2,528**	**1,849**	**143,509**

Loans and advances to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Dec 18						
Austria	**83,141**	**0**	**3,512**	**2,646**	**2,114**	**91,413**
EBOe & Subs.	31,641	0	1,455	57	103	33,256
Savings Banks	41,462	0	2,013	98	1,074	44,647
Other Austria	10,039	0	45	2,490	937	13,511
CEE	**26,448**	**34,255**	**45**	**307**	**117**	**61,172**
Czech Republic	3,628	23,659	1	101	78	27,466
Romania	3,308	4,843	0	109	0	8,260
Slovakia	13,282	0	0	25	30	13,337
Hungary	1,041	3,059	7	2	0	4,109
Croatia	4,222	2,413	28	67	9	6,739
Serbia	968	281	10	4	0	1,262
Other	**195**	**36**	**0**	**19**	**0**	**250**
Total	**109,784**	**34,291**	**3,558**	**2,972**	**2,231**	**152,836**

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Dec 17						
Austria	**78,985**	**0**	**4,005**	**2,147**	**1,763**	**86,900**
EBOe & Subs	30,040	0	1,590	46	112	31,787
Savings Banks	38,853	0	2,237	83	949	42,122
Other Austria	10,093	0	178	2,018	702	12,991
CEE	**24,697**	**31,135**	**102**	**375**	**86**	**56,396**
Czech Republic	3,392	21,866	1	164	64	25,487
Romania	3,413	4,202	0	143	0	7,759
Slovakia	12,004	0	0	28	16	12,048
Hungary	886	2,850	27	3	0	3,766
Croatia	4,264	2,005	63	33	6	6,371
Serbia	738	212	11	4	0	965
Other	**176**	**31**	**0**	**6**	**0**	**212**
Total	**103,858**	**31,166**	**4,107**	**2,528**	**1,849**	**143,509**

"CEE-LCY" refers to the CEE geographical segment view where the local currency is the currency of the respective country (e.g. CZK in Czech Republic, RON in Romania etc.).

Securitisations

As of 31 December 2018, Erste Group held a further reduced residual portfolio of securitisations; there were no new investments undertaken and all repayments were made as scheduled in 2018.

As of year-end 2018, the carrying amount of Erste Group's securitisation portfolio totalled EUR 29.7 million. The entire exposure is investment-grade rated.

The largest remaining position is in an AA rated US student loan securitisation in amount of EUR 25.3 million. All securitisations were issued and bought before the financial crisis.

Market risk

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived from them. These market value changes might appear in the profit and loss account, in the statement of comprehensive income or in hidden reserves. At Erste Group, market risk is divided into interest rate risk; credit spread risk, currency risk, equity risk, commodity risk, and volatility risk. This concerns both trading and banking book positions.

Methods and instruments employed

At Erste Group, potential losses that may arise from market movements are assessed using the value at risk (VaR). The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions.

The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions.

Back-testing is used to constantly monitor the validity of the statistical methods. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a single day should exceed the VaR statistically only two to three times a year (1% of around 250 workdays).

This shows one of the limits of the VaR approach: on the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years, and calculates the VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted at Erste Group. These events include mainly market movements of low probability.

The stress tests are carried out according to several methods: stressed VaR (SVaR) is derived from the normal VaR calculation. But instead of simulating only over the two most recent years, an analysis of a much longer period is carried out in order to identify a one-year period that constitutes a relevant period of stress for the current portfolio mix. According to the legal framework, that one-year period is used to calculate a VaR with a 99% confidence level. This enables Erste Group on the one hand to hold sufficient own funds available for the trading book even in periods of elevated market volatility, while on the other hand also enabling it to incorporate these resulting effects into the management of trading positions.

Standard scenarios are calculated in which the individual market factors are exposed to extreme movements. Such scenarios are calculated at Erste Group for interest rates, stock prices, exchange rates and volatilities. Historic scenarios are a modification of the concept of standard scenarios. In this case, risk factor movements after certain events such as "9/11"or the "Lehman bankruptcy" form the basis of the stress calculation. In order to calculate historical probabilistic scenarios, the most significant risk factors for the current portfolio are determined and their most adverse movement in recent years is applied. For the probabilistic scenarios, shifts of important market factors are determined for various quantiles of their distributions, and these values are then used to calculate stress results. These analyses are made available to the management board within the scope of the regular market risk reporting.

The implemented market risk model was approved by the ECB in December 2016 as an internal model to determine the own funds requirements for the trading books of Erste Group Bank AG and Ceská spořitelna, a.s. on an individual level and additionally for the trading books of Slovenská sporitel'ňa a.s., Erste Bank Hungary Zrt., and Erste Befektetési Zrt. on consolidated basis. The infrastructure brought significant improvements with regards to flexible shift methodologies of historical scenarios, product- and market data coverage, and the reporting infrastructure.

Methods and instruments of risk mitigation

At Erste Group, market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of VaR for the trading book is allocated by the management board in the Risk Appetite Statement while taking into account the risk-bearing capacity and projected earnings. A further breakdown is done by the Market Risk Committee (MRC) on the basis of a proposal from the Trading Book Risk Management unit.

All market risk activities of the trading book are assigned risk limits that are statistically consistent in their entirety with the overall VaR limit. The VaR limit is assigned in a top-down procedure to the individual trading units. This is done down to the level of the individual trading groups or departments. Additionally, in a bottom-up procedure, sensitivity limits are assigned to even smaller units all the way down to the desk level. These are then aggregated and applied as a second-limit layer to the VaR limits.

Limit compliance is verified at two levels: by the appropriate local decentralised risk management unit and by the Trading Book Risk Management unit. The monitoring of sensitivity limits is performed on both intraday and end-of-day basis. On demand, limit reports can also be triggered by individual traders or chief traders on an ad-hoc basis.

The VaR is calculated every day at group level and made available to the individual trading units as well as to the superior management levels all the way up to the management board.

Banking book positions are subjected to a monthly VaR analysis. In this manner, the total VaR is determined with exactly the same methodology as for the trading book. In addition to VaR, a long-horizon risk measure is used to gauge the interest rate risk; credit spread risk of the banking book, and foreign exchange risk of equity participations. For this purpose, a historical simulation approach looking back ten years and with a one-year holding period was chosen. The result of these calculations is presented in the monthly Group ALCO to the management board.

Analysis of market risk

The following tables show the VaR amounts at the 99% confidence level using equally weighted market data and with a holding period of one day:

Value at Risk of banking book and trading book

in EUR thousand	Total	Interest	Currency	Shares	Commodity	Volatility
Dec 18						
Erste Group	23,543	23,528	536	637	91	330
Banking book	17,949	17,949	0	0	0	0
Trading book	5,594	5,579	536	637	91	330
Dec 17						
Erste Group	21,050	20,531	701	1,039	656	411
Banking book	16,066	16,066	0	0	0	0
Trading book	4,984	4,465	701	1,039	656	411

The method used is subject to limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved. This restriction applies to the inclusion of credit spreads in the calculation of the VaR. Credit spreads are applied to sovereign issuers only. For all other positions, only the general market risk is considered.

Interest rate risk in the banking book

Interest rate risk is the risk of an adverse change in the fair value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including transactions not recognised on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment. Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modelled deposit rates that are determined by means of statistical methods.

Erste Group responded to the low or even negative interest rate environment since 2015, which poses a challenge for the interest rate risk measurement and management of banks, in recent years by adjusting its methodologies for measuring the interest rate risk. No floor on interest rates is applied for internal risk calculations. For the regulatory interest rate risk measure, the result of the downward shock is floored at the level of the current negative rate or at zero in case the current rate is positive (in line with EBA requirements).

The following tables list the open fixed-income positions held by Erste Group in the four currencies that carry a significant interest rate risk: EUR, CZK, HUF and RON.

Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, i.e. a surplus of asset items; negative values represent a surplus on the liability side.

Open fixed-income positions not assigned to the trading book

in EUR million	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Dec 18					
Fixed-interest gap in EUR positions	1,187.8	2,949.0	2,317.9	3,115.9	1,119.1
Fixed-interest gap in CZK positions	3,528.2	2,826.9	2,809.1	1,813.0	734.9
Fixed-interest gap in HUF positions	538.3	939.8	432.5	-78.9	7.8
Fixed-interest gap in RON positions	1,502.8	728.2	581.6	243.8	0.3
Dec 17					
Fixed-interest gap in EUR positions	-2,317.2	-3,777.9	-2,540.8	-2,322.4	2,136.9
Fixed-interest gap in CZK positions	3,138.4	1,017.7	-656.8	-2,795.9	150.0
Fixed-interest gap in HUF positions	-164.2	514.4	18.0	-460.5	1.0
Fixed-interest gap in RON positions	470.6	521.2	46.7	100.6	0.4

Exchange rate risk

The bank is exposed to several types of risks related to exchange rates. These concern risks from open foreign exchange positions and others.

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. These risks might originate from customer-related operations or proprietary trading and are monitored and managed on a daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits are set by the Market Risk Committee.

Erste Group separately measures and manages other types of risks relating to the group's balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet items, earnings, dividends and participations/net investments in local currency or foreign exchange has an impact on consolidated earnings and consolidated capital. Erste Group is also reducing the negative impact related to volatility of foreign exchange rates on asset performance (for example as a result of foreign exchange lending in the CEE countries that was stopped for clients not having sufficient regular income in the respective loan currency).

In order to manage its multi-currency earnings structure, Erste Group regularly discusses hedging opportunities and takes decisions in the Group Asset Liability Committee (ALCO). Asset Liability Management (ALM) uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to obtain as much information as possible on the future foreign currency cash flows. The proposal, which mainly includes the volume, hedging level, hedge ratio and timeline of the hedging, is submitted by ALM to ALCO. The impact of translation on consolidated capital is monitored and reported to ALCO. The ALCO decisions are then implemented by ALM and the implementation status is reported on a monthly basis to ALCO.

The following table shows the largest open foreign currency positions of Erste Group as of 31 December 2018 and the corresponding open positions of these currencies as of 31 December 2017 (excluding foreign currency positions arising from equity participation).

Open foreign currency positions

in EUR thousand	Dec 17	Dec 18
US Dollar (USD)	79,473	45,123
Romanian Leu (RON)	19,270	14,427
Czech Koruna (CZK)	40,548	9,494
Canadian Dollar (CAD)	-408	8,110
Japanese Yen (JPY)	-3,308	-8,103
British Pound (GBP)	-10,685	7,087
Croatian Kuna (HRK)	-1,130	-6,186
Serbian Dinar (RSD)	5,397	5,729
Polish Zloty (PLN)	-5,424	4,365
Hungarian Forint (HUF)	-26,170	-4,076

Credit spread risk

Credit spread risk is the risk of an adverse movement in the fair value of financial instruments caused by a change in the creditworthiness of an issuer perceived by the market. Erste Group is exposed to credit spread risk with respect to its securities portfolio, both in the trading as well as in the banking book.

For the trading book, credit spread risk for government bonds is part of the general market risk covered by VaR and SVaR. Corporate bonds are allocated to benchmark spread curves depending on sector, rating, and currency as part of the general risk covered by VaR and SVaR. The issuer specific risk is covered by the standardised approach for Pillar 1 of regulatory capital requirements. For the issuer specific risk of the trading book in Pillar 2, the spread risk is broken down into a systematic and a residual part risk and reported on an aggregated level. In the above VaR table, credit spread risk for the trading book is part of the interest component.

Quantifying the credit spread risk of the securities in the banking book is based on a historical simulation. The maximum (hypothetical) drawdown that can be attributed to credit related risk factors over one-year horizon is calculated. It is based on credit spread sensitivities (CR01) and the risk factors used are mainly asset swap spreads for sovereigns and iTRAXX CDS indices for financials and corporates. The resulting amount is used as part of the Pillar 2 calculations (not part of the VaR figures) to determine the capital consumption of the banking book portfolio.

Hedging

Banking book market risk management consists of optimising Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on balance sheet development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is ALCO. ALM submits proposals for actions to steer the interest rate risk to ALCO and implements ALCO's decisions.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. IFRS hedge accounting is applied, if possible, to avoid accounting mismatches due to hedging activity. Within the scope of IFRS-compliant hedge accounting, fair value hedges and cash flow hedges are used. If IFRS-compliant hedge accounting is not possible, the fair value option is applied, where appropriate, for the hedging of market values. Most of the hedging within Erste Group concerns hedging of interest rate risk. The remainder is hedging of foreign exchange rate risk.

Liquidity risk

The liquidity risk in Erste Group is defined in line with the principles set out by the Basel Committee on Banking Supervision as well as the European and Austrian regulations (Capital Regulations Requirement (CRR) - Regulation (EU) No 575/2013, Delegated Regulation (EU) 2015/61, Kreditinstitute-Risikomanagement-Verordnung - KI-RMV). Accordingly, a distinction is made between market liquidity risk, which is the risk that the group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

Liquidity strategy

In 2018, client deposits remained the primary source of funding for Erste Group: the volume of client deposits increased to EUR 162.6 billion as of year-end 2018 (2017: EUR 150.9 billion), amounting to 69% (2017: 68%) of the balance sheet total. The growth of loan production surpassed client deposit inflows, bringing the loan-to-deposit ratio to 94% (2017: 92%). The excess liquidity was placed in central banks.

With regards its own issuance, Erste Group Bank AG issued EUR 3.4 billion in bonds in 2018 (2017: EUR 2.1 billion) which in net terms was in accordance with the size of the budgeted figure. EUR 2.5 billion (2017: EUR 750 million) was collected via three mortgage covered bonds in benchmark size. EUR 808 million (2017: EUR 577 million) was collected by issuing senior unsecured bonds via private placements or the retail network. Tier 2 subordinated debt issuance amounted to EUR 108 million (2017: EUR 273 million). This was offset by repurchases of EUR 116 million (2017: EUR 147 million). The average tenor of all new issues in 2018 is approximately 7.2 years (2017: 7.5 years).

Erste Group's total TLTRO participation in 2018 remained at EUR 3.5 billion.

Liquidity ratios

With the implementation of the CRR at the beginning of 2014, new liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), have been introduced as ratios relevant for reporting purposes. The LCR represents a ratio of highly liquid assets vis-à-vis net cash outflows over a 30 day time horizon. The minimum ratio has been set at 60% for 2015 (from 1 October), 70% for 2016, 80% for 2017 and 100% from 2018. The NSFR remains for the time being a reporting requirement only, with a binding minimum requirement potentially introduced from 2019. The NSFR represents a ratio of available stable funding vis-à-vis required stable funding. Both, LCR according LCR DA and NSFR, have been implemented within Erste Group.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period on both entity and group levels. This analysis determines the maximum period during which the entity can survive a set of defined scenarios, including a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of customer, as well as the potential outflows from collateralised derivative transactions estimating the effect of collateral outflows in the case of adverse market movements. Starting with 2018, an updated version of the survival period analysis came into force. It contained, among other improvements, an extension of the stress horizon up to 12 months, dependent on the stress scenario.

Erste Group successfully implemented a new software solution for the calculation of the Liquidity Coverage Ratio according to the delegated regulation (EU) 2015/61 and reports this ratio on a monthly basis to the authorities on a solo and group level. Additionally, Erste Group calculates the Net Stable Funding Ratio (NSFR) according to the CRR based on the weights of the Basel Committee of Banking Supervision (BCBS) and regularly participates in and reports QIS monitoring according to the BCBS guidelines. Internally, these ratios are monitored on entity level as well as on a group level. Since 2014 the LCR (from 2014 to 2016 LCR according to CRR, since 2017 LCR according to the delegated LCR DA) is part of the internal Risk Appetite Statement (RAS). LCR limits are defined in the RAS targeting to be well above the regulatory requirement of 100%. Erste Group is reporting the NSFR according to the CRR in the quarterly Short Term Exercise to the regulator.

Legal lending limits exist in all CEE countries where Erste Group is represented. As they restrict liquidity flows between Erste Group's subsidiaries in different countries they are taken into account for the assessment of liquidity risk in the survival period model as well as in the calculation of the Liquidity Coverage Ratio at group level.

Additionally, the structural liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the group as a whole are reported and monitored regularly. Concentration risks in the funding structure and "Counterbalancing Capacity" (CBC are regularly monitored and reported to the regulator. Erste Group's funds transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

In 2018, Erste Group successfully implemented the reporting of the maturity ladder (C66.00 – Maturity Ladder) as part of the additional liquidity monitoring metrics. Additionally an NSFR calculation was developed following the requirements of the CRR 2 consultation paper which will be implemented as the internal NSFR monitoring from 2019 onwards.

Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period model, internal stress testing and by internal LCR targets at both entity and group level. Limit breaches are reported to the Group Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within Erste Group Bank AG and in relation to its subsidiaries is the FTP system. Important information for liquidity management can be obtained by the process of planning funding needs. Therefore, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across Erste Group.

The Comprehensive Contingency Plan of the Erste Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are coordinated as part of the plan for Erste Group Bank AG.

Analysis of liquidity risk

In Erste Group, the liquidity risk is analysed by the following methods.

Liquidity coverage ratio. Erste Group uses the regulatory liquidity coverage ratio for internal monitoring and steering of the liquidity position as well. In order to keep the LCR according LCR DA above both limits, the regulatory limit and the internal limit, Erste Group closely monitors its short-term liquidity inflows and outflows as well as its available counterbalancing capacity.

The following table shows the LCR DA as of 31 December 2018:

Liquidity coverage ratio

in EUR million	Dec 17	Dec 18
Liquidity buffer	39,849	47,678
Net liquidity outflow	27,439	31,763
Liquidity coverage ratio	145.2%	150.1%

Structural liquidity gaps. The long-term liquidity position is managed using structural liquidity gaps on the basis of contractual and partially behavioural cash flows of all liquidity relevant components of the balance sheet (on-balance and off-balance). This liquidity position is calculated for each material currency.

Cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. All customer products without contractual maturities (such as demand deposits and overdrafts) are included according to a going concern maturity profile using model based on statistically observed client behaviour.

The following table shows the structural liquidity gaps as of 31 December 2018 and 31 December 2017:

Structural liquidity gap

	0-12 months		1-3 years		3-5 years		> 5 years	
in EUR million	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18	Dec 17	Dec 18
Liquidity gap	2,956	4,902	-17,742	-12,101	-10,638	-10,915	23,082	17,367

An excess of assets over liabilities is indicated by a positive value, while an excess of liabilities over assets is indicated by a negative value. The cash inflows from liquid securities amounting to EUR 30.4 billion (2017: EUR 32.5 billion), which are accepted as collateral by the central banks to which Erste Group has access, are taken into account in the first time bucket rather than considering them at their contractual maturity.

The table on the structural liquidity gap is replacing the table “Liquidity gap” from last years financial statement. Additionally, the figures on the cash inflow from liquid securities for the year 2017 was adjusted compared to last years financial statement in order to be consistent in the numbers. The reason for the adjustment was the introduction of the structural liquidity ratio (STRL) as an internal metric. In comparison to the liquidity gap, which showed only the contractual cash-flows, the STRL displays products with contractual maturities according to their internal modelling. In addition the time buckets are consistent with those of the STRL.

Counterbalancing capacity. Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserves at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including impacts from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation. The term structure of the group’s counterbalancing capacity as of year-end 2018 and year-end 2017 are shown in the tables below:

Term structure of counterbalancing capacity

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Dec 18					
Cash, excess reserve	11,641	-233	0	0	0
Liquid assets	38,659	-6,848	-1,750	-1,961	-2,523
Other central bank eligible assets	3,531	-119	1,094	349	-41
Thereof retained covered bonds	1,232	0	1,265	490	0
Thereof credit claims	658	0	0	0	0
Counterbalancing capacity	**53,831**	**-7,199**	**-656**	**-1,612**	**-2,564**
Dec 17					
Cash, excess reserve	10,651	-224	0	-63	0
Liquid assets	33,289	-2,704	-270	302	703
Other central bank eligible assets	5,184	0	463	0	0
Thereof retained covered bonds	3,579	0	463	0	0
Thereof credit claims	1,605	0	0	0	0
Counterbalancing capacity	**49,124**	**-2,929**	**193**	**239**	**703**

The figures above show the total amount of potential liquidity available for the group in a going concern situation, taking into account the applicable central bank haircuts. In a crisis situation, adverse market movements can decrease this amount. The initial counterbalancing capacity available at group level is reduced by additional stressed haircuts. Negative figures are maturing positions of the counterbalancing capacity. Positive figures after one week are positions not immediately available as counterbalancing capacity. The data shown for 31 December 2018 are based on the internal liquidity risk management reporting infrastructure whereas the data shown for 31 December 2017 are based on data from Asset Liability Management (ALM) data infrastructure.

Financial liabilities. Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2018 and 31 December 2017 respectively, were as follows:

Financial liabilities

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
Dec 18						
Non-derivative liabilities	**210,034**	**209,701**	**139,456**	**29,933**	**25,738**	**14,573**
Deposits by banks	17,658	18,710	8,581	2,469	5,967	1,693
Customer deposits	162,638	164,503	130,726	24,781	7,349	1,647
Debt securities in issue	23,908	21,467	147	2,385	9,731	9,204
Subordinated liabilities	5,830	5,021	2	299	2,691	2,029
Derivative liabilities	**2,277**	**2,129**	**270**	**462**	**952**	**444**
Contingent liabilities	**0**	**39,673**	**39,673**	**0**	**0**	**0**
Financial guarantees	0	7,378	7,378	0	0	0
Commitments	0	32,295	32,295	0	0	0
Other financial liabilities	**1,459**	**1,459**	**1,459**	**0**	**0**	**0**
Total	**213,770**	**252,961**	**180,858**	**30,396**	**26,691**	**15,017**
Dec 17						
Non-derivative liabilities	**192,424**	**195,823**	**112,336**	**32,193**	**36,506**	**14,788**
Deposits by banks	16,349	16,455	7,602	1,563	5,897	1,393
Customer deposits	150,921	151,746	104,232	26,800	16,837	3,877
Debt securities in issue	19,337	20,929	477	3,070	10,107	7,275
Subordinated liabilities	5,817	6,692	25	760	3,664	2,243
Derivative liabilities	**2,937**	**3,406**	**229**	**947**	**1,719**	**511**
Contingent liabilities	**0**	**30,295**	**30,295**	**0**	**0**	**0**
Financial guarantees	0	6,985	6,985	0	0	0
Irrevocable commitments	0	23,310	23,310	0	0	0
Total	**195,362**	**229,523**	**142,860**	**33,140**	**38,225**	**15,299**

In the table above, the data shown for 31 December 2018 are based on the internal liquidity risk management reporting infrastructure and accounting data whereas the data shown for 31 December 2017 are based on data from Asset Liability Management (ALM) data infrastructure and accounting data. In addition to that, a new cathegory for other financial liabilities has been included and the data shown for 31 December 18 represent principal payments only whereas the data shown for 31 December 2017 represents principal and interest payments.

As of year-end 2018, the currency composition of the non-derivative liabilities consisted of approximately 68% EUR, 18% CZK, 5% USD, 4% RON, and 5% in other currencies (2017: 70% EUR, 18% CZK, 4% RON, 4% USD, 4% in other currencies).

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is calculated from the collateralised derivative transactions for the stress testing, following a historical lookback approach, which amounted to EUR 864.4 million (2017: EUR 406.1 million) in the worst-case scenario as of 31 December 2018.

As of 31 December 2018, the volume of customer deposits due on demand amounted to EUR 110.2 billion (2017: EUR 99.3 billion). According to customer segments, the customer demand deposits are composed as follows: 64% private individuals, 15% large corporates, 14% small and medium-sized enterprises, 4% public sector, and 2% non-banking financial institutions (2017: 63% private individuals, 15% large corporates, 14% small and medium-sized enterprises, 5% public sector, and 3% non-banking financial institutions). The deposits by banks include the top five providers of funds.

Operational risk

In line with Article 4 Section 52 of regulation (EU) 575/2013 (CRR), Erste Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from a leading non-profit risk-loss data consortium.

Erste Group calculates capital requirements for operational risk based on the Advanced Measurement Approach (AMA) that is subject to regulatory approval. AMA is a sophisticated approach for measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. Additionally, Erste Group received the approval to use insurance contracts for mitigation within the AMA pursuant to Article 323 CRR.

In order to update the underlying methodology, Erste Group applied for and received regulatory approval during the third quarter of 2018 for a material AMA model change that applies as of the fourth quarter of 2018. As a result of this change, Erste Group has strengthened the capabilities for quantifying its operational risk profile. Changes include inter alia

- update of statistical methodology in order to increase stability and alignment with the Group's risk profile;
- implementation of P&L view to ensure consistency with overall bank reporting;
- longer observation period for the internal loss data to increase the statistical validity of the model's underlying data;
- more risk-sensitive capital allocation key to legal entities covered in the AMA model.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control assessments through expert panels. Additional methods include setting of key risk indicators and risk assessments in connection with product approvals, outsourcing assessments and risk return decisions. The results of these assessments and processes are reported to line management along with mitigation measures and thus help to reduce operational risks. In order to ensure early detection of changes in the risk profile that may lead to losses, Erste Group monitors a number of key risk indicators such as system availability, staff turnover, and customer complaints.

Erste Group uses a group-wide insurance program that has reduced the cost of meeting Erste Group's traditional property insurance needs. Freed-up resources made it possible to buy additional insurance for previously uninsured bank-specific risks. This program uses a captive reinsurance entity as a vehicle to share losses within the group and access the external market.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the management board via various reports, including the quarterly top management reports, which describe the recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for Erste Group.

55. Hedge accounting

Hedges of interest rate risk

As an inherent part of its business Erste Group is exposed to interest rate risk arising from the interest characteristics and behavior of assets, liabilities and off balance sheet items. This relates to the existing balance sheet items as well as to expected development of the balance sheet and banking activities. Interest rate risk can generally be defined as a potential deterioration of a bank's financial condition in reaction to adverse movements in market interest rates.

Hedge accounting activities relate to interest risk bearing exposures in the banking book. The interest rate risk of the banking book is managed by Group Asset Liability Management (ALM). Interest rate risk management actions of ALM are approved as part of the ALM strategy by Group Asset Liability Committee (ALCO). For hedging relationships qualifying for hedge accounting hedge effectiveness is measured by risk management unit which is independent from ALM as the risk taker.

The objective of the interest rate risk management in the banking book is to optimise the risk and return of interest rate risk exposures. For this purpose and for compliance with external and internal regulations and limitations Erste Group manages the interest rate risk from the earnings and economic value perspectives. The focal point of the interest rate risk analysis from the earnings perspective is the variation in earnings, i.e. the net interest income. The changes in interest rates have an impact on the bank's earnings via its distinct impact on interest income and interest expenses accrued on assets and liabilities respectively. The economic value perspective views the interest rate risk as changes in the economic value of equity. It can be identified as the present value of cash-flows arising from asset, liability and off-balance-sheet items. Change in interest rates alters both the size of future cash-flows and the value of discount rates applied in the calculation.

Existing balance sheet items and contributions of planned or forecast transactions are analysed through the earnings and economic value based metrics. Erste Group keeps the risk within predefined limits. When actively managing interest rate risk ALM gives preference to entering into bonds and derivatives. In general, the policy of Erste Group is to swap all substantial fixed or structured issued bonds to floating items. As a result, the targeted interest rate risk profile is actively managed by using instruments other than the issued bonds, i.e. investment in bonds and derivatives.

Interest rate swaps are the most common derivatives used to manage interest rate. If fixed rate repricing profiles of assets or liabilities do not fit to the interest rate risk management strategy they are swapped into variable rate items (usually 3-month money market rate such as Euribor). In other cases, variable rate repricing profiles of assets or liabilities may need to be swapped into fixed rate items.

Erste Group employs hedge accounting to address accounting mismatches resulting from different measurement requirements for derivatives which are measured at fair value through profit or loss and financial assets and liabilities in the banking book measured at amortised cost or at fair value through other comprehensive income. Some of the accounting mismatches are addressed by designating financial assets or financial liabilities as measured at FVPL (fair value option) without the need to use hedge accounting.

Fair value hedges address the risk management activities of swapping fixed rate assets or liabilities into variable rate. On the other hand, cash flow hedges are used when floating rates assets or liabilities are swapped into fixed ones (please refer also to the discussion of proxy hedges below).

Fair value hedges are designated in respect of the interest rate risk component of the fair value changes of the hedged fixed rate items. The hedged interest rate risk portion in fair value hedges relates to the observed interest rate (swap yield curve) component. I.e. the fair value volatility resulting from changes in the spread of the hedged fixed rate instrument swap yield curve is excluded from hedge accounting and is not accounted for.

Similarly, in cash flow hedges the hedged risk is designated in respect of the variable cash flows portion equal to the interest index of the swap (such as Euribor, Libor). The credit spreads over the swap index are excluded from hedge accounting.
The hedging interest derivatives are economically related to the hedged interest rate risk component of the hedged item. The non-interest components (such as credit spreads) of the hedged items are outside the hedging relationship. As a result, comparable valuation inputs are applied on both sides of the hedging relationship. Thus offsetting effects are recognised to the extent the economic relationship exists without giving rise to artificial volatility in profit or loss. The hedged interest risk component is the most significant factor affecting fair value changes of the hedged item.

The designated hedging relationships normally correspond to the economic hedges set up by ALM when managing the interest rate risk. However, in some cases, the hedging derivatives may not be directly related to specific assets or liabilities but they manage the overall interest risk position. Also, the derivatives may relate to instruments which do not qualify as hedged items under the IFRS hedge accounting requirements. In order to account for risk mitigating effects of such derivatives Erste Group searches for suitable hedged items providing the best fit to the terms of the derivative and designates an effective hedging relationship (so called proxy hedges). Typically cash flow hedges of variable rate assets are designated on such a basis whereby the actual economically hedged risk may result from modelled fixed rate profile of demand deposit liabilities.

Erste Group has following types of hedged items in hedges of interest rate risk as of 31 December 2018:

in EUR million	Type of hedged items	Hedged notional amount
Fair value hedges		
Assets	Portfolios of client loans	455
Assets	Single loans	390
Assets	Bonds at FVOCI	693
Assets	Bonds at AC	641
Liabilities	Issued bonds	9,221
Liabilities	Other liabilities/repos	200
Cash flow hedges		
Assets	Interbank loans / repos	1,561
Assets	Client loans (single and portfolio)	1,876
Assets	Corporate/government bonds	93

The hedge ratio is chosen in compliance with the rules defined in IAS 39. The volume of the hedging instrument which is designated for the hedge relation can never be greater than the volume of the hedged item. If the notional of a hedging derivative is greater than the notional of the hedged item the respective proportion of the derivative is designated as hedging instrument. Further, the tenor of the hedging instrument is never longer than the tenor of the hedged item.

Sources of hedge ineffectiveness can result from:
_ designation of hedging instruments and hedged items during their life rather than from their inception
_ temporary buy-backs of issued bonds (resulting from market making activity in the trading book) leading to a reduced position of the hedged item
_ different discounting curves applied for hedged item and hedging instrument
_ different interest tenors of hedging swaps and hedged variable rate items in cash flow hedges
_ volatility of present value of floating leg of hedging swaps in fair value hedges
_ different trade dates for the hedging instrument and the hedged item
_ real prepayments of a loan portfolio deviating from expected prepayments
_ credit risk adjustments (CVA, DVA) on the hedging derivatives

Foreign exchange risk

The objective of foreign exchange risk management in the banking book is to avoid unfavorable market movements of foreign exchange rates which could impact profit or loss of Erste Group. Only a minor part of foreign exchange risk management activities requires using of hedge accounting. Currently fixed rate corporate or government bonds with notional amount of EUR 57 million are hedged in cash flow hedges by using cross currency swaps as hedging instruments.

Quantitative disclosures

In the tables below, detailed information related to hedging instruments and hedged items in fair value and cash flow hedges as of 31 December 2018 are reported.

Hedging instruments

	Carrying amount				Timing of the nominal amounts of the instruments			
in EUR million	Assets	Liabilities	Change in FV for the period used for calculating hedge ineffectivness	Notional	≤ 3 m	> 3 m and ≤ 1 y	> 1 y and ≤ 5 y	> 5 y
Fair value hedges								
Interest rate risk	96	205	9	11,510	104	611	4,761	6,033
Cash flow hedges								
Interest rate risk	36	71	28	3,574	4	0	1,874	1,697
Foreign exchange risk	0	1	-1	57	0	0	0	57
Total	**132**	**277**	**37**	**15,142**	**108**	**611**	**6,635**	**7,788**

The hedging instruments are presented in the line 'Hedge accounting derivatives' in the balance sheet.

Hedged items in fair value hedges

		Hedge adjustments		
in EUR million	Carrying amount	included in the carrying amount	Thereof: for the period used for recognition of hedge ineffectiveness	Remaining adjustments for terminated hedges
Assets				
Financial assets at FVOCI				
Interest rate risk	765	101	-11	22
Financial assets at AC				
Interest rate risk	1,513	115	-11	5
Liabilities				
Financial liabilities at AC				
Interest rate risk	9,910	282	10	47

The hedged items are disclosed in the following line items in the balance sheet:

_ Financial assets at fair value through other comprehensive income / debt securities
_ Financial assets at amortised cost / loans and advances to customers
_ Financial assets at amortised cost / debt securities
_ Financial liabilities at amortised cost / debt securities issued

Hedged items in cash flow hedges

in EUR million	Change in FV for the period used for calculating hedge ineffectiveness	Cash flow hedge reserve for continuing hedges	Cash flow hedge reserve for terminated hedges
Interest rate risk	-29	-40	42
Foreign exchange risk	1	-1	0
Total	**-28**	**-41**	**42**

Effects of hedge accounting in profit or loss and other comprehensive income

			Cash flow hedge reclassified to profit or loss because	
in EUR million	Hedge ineffec-tiveness recognised in P&L	Hedging gains/losses recognized in OCI	the hedged item has affected profit or loss	the hedged future cash flows are no longer expected to occur
Fair value hedges				
Interest rate risk	-3	0	0	0
Cash flow hedges				
Interest rate risk	-1	29	-31	0
Foreign exchange risk	0	-1	0	0
Total	**-4**	**28**	**-31**	**0**

Ineffectiveness from both fair value and cash flow hedges is presented under ’Net trading result’ in the statement of income. The amounts reclassified from the cash flow hedge reserve are presented in the line ’Other similar income’ under ’Net interest income’ for hedges of interest rate risk and ’Net trading result’ for hedges of foreign exchange risk.

56. Fair value of financial instruments

All financial instruments are measured at fair value on recurring basis.

Financial instruments carried at fair value

The measurement of fair value at Erste Group is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Financial instruments for which the fair value is determined on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid OTC bonds.

Description of valuation models and parameters

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently. In 2015, as a consequence of the negative interest environment, valuation models of interest rate options for the respective currencies were adjusted. Log-normal valuation models were replaced by standard market models which are based on a shifted log-normal distribution or a standard distribution. For such models negative interest rates are no restriction.

Loans. IFRS 9 regulation significantly changed accounting classification of loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these loans corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including risk premium required for non-market risk based part of the interest rate to be compliant with fair value definition. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer’s probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread.. The complex interest rate assets are valued by Monte Carlo simulation approach to include convexity correction and time value of embedded options.

Debt securities. For plain vanilla (fixed and floating rate) debt securities the fair value is calculated by discounting the future cash flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features such as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash flow models and more sophisticated modeling techniques including methods described for OTC-derivatives.

Equity instruments. Non-trading equity instruments which have quoted market prices in an active market are valued by using the quoted market price. For other investments in non-trading equity instruments the fair value is determined by standard valuation models using also unobservable input parameters. These models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method. The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognized in an investee’s statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting fair values of the recognized and unrecognized assets and liabilities should therefore represent the fair value of the investee’s equity. The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the relevered beta and the country risk premium. The relevered beta is derived from the industry classification which is published and maintained by Damodaran. In rare cases, techniques for non-trading equity instruments may also include models based on multiples. The comparable company multiple method is a valuation technique within the market approach that uses prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee’s equity or enterprise value can be inferred.

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined in line with similar instruments held as assets. Erste Group derives its own credit spread for the respective seniority class according to the principle of market opportunity cost and the cost of issuing primary benchmark bonds in the capital market. An important input factor for the spread levels are indications from external investment banks, which Erste Group receives on a regular basis. For every seniority of issued bonds with accounting treatment FVO, a specified valuation curve is applied. The spreads are validated on a regular basis from an independent Risk Management unit.

OTC-derivative financial instruments. Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes and Hull-White type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used.

Erste Group values derivatives at mid-market levels. To reflect the potential bid-ask-spread of the relevant positions an adjustment based on market liquidity is performed. The adjustment parameters depend on product type, currency, maturity and notional size. Parameters are reviewed on a regular basis or in case of significant market moves. Netting is not applied when determining the bid-ask-spread adjustments.

Credit value adjustments (CVA) for counterparty risk and debit value adjustments (DVA) for own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste Group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modeling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default by counterparties that are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles present in the central European market. Market based valuation concepts are incorporated for this. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste Group's issuances. Netting has only been considered for a few counterparties where the impact was material. In these cases, netting has been applied for both CVA and DVA. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

According to the described methodology the accumulated CVA-adjustments amounted to EUR 15.1 million (2017: EUR 10.8 million) and the total DVA-adjustment amounted to EUR 4.1 million (2017: EUR 3.9 million).

Validation and control

The responsibility for valuation of financial instruments measured at fair value is independent of the trading units. In addition, Erste Group has implemented an independent validation function in order to ensure separation between units responsible for model development, fair value measurement and validation. The aim of independent model validation is to evaluate model risks arising from the models' theoretical foundation, the appropriateness of input data (market data) and model calibration.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

These include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO), own issues and deposits.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor on the basis of valuation models that rely entirely on observable market data. In these cases individual valuation parameters which are not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default

(LGD) measures are used as unobservable parameters. Furthermore, internally calculated cost of equity and adjustments made on the equity (in the adjusted net asset value method) are unobservable parameters for the valuation of non-trading equity instruments.

These include shares, participations and funds not quoted, illiquid bonds as well as collateralized mortgage obligations (CMO) as well as loans and own issues.

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be performed if the financial instrument does no longer meet the criteria described above for the respective level.

Classification of financial instruments carried at fair value by levels of the fair value hierarchy

	Dec 17				Dec 18			
in EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets HfT	2,043	4,241	65	6,349	1,419	4,085	80	5,584
Derivatives	9	3,302	22	3,333	2	2,974	61	3,037
Other financial assets held for trading	2,034	939	43	3,016	1,417	1,111	19	2,547
Financial assets at FVPL	496	26	21	543	x	x	x	x
Non-trading financial assets at FVPL	x	x	x	x	2,239	293	778	3,310
Equity instruments	x	x	x	x	31	24	317	372
Debt securities	x	x	x	x	2,208	268	174	2,651
Loans and advances	x	x	x	x	0	0	287	287
Financial assets AfS	13,591	1,702	767	16,060	x	x	x	x
Financial assets at FVOCI	x	x	x	x	7,707	1,063	502	9,272
Equity instruments	x	x	x	x	0	0	239	239
Debt securities	x	x	x	x	7,707	1,063	263	9,033
Hedge accounting derivatives	0	884	0	884	0	131	1	132
Total assets	**16,130**	**6,853**	**853**	**23,836**	**11,365**	**5,573**	**1,361**	**18,299**
Liabilities								
Financial liabilities HfT	439	2,981	3	3,423	465	2,030	14	2,508
Derivatives	9	2,922	3	2,934	2	1,985	14	2,000
Other financial liabilities held for trading	430	59	0	489	463	45	0	508
Financial liabilities at FVPL	0	1,801	0	1,801	618	12,943	561	14,122
Deposits from customers	0	49	0	49	0	212	0	212
Debt securities issued	0	1,753	0	1,753	618	12,731	96	13,446
Other financial liabilities	0	0	0	0	0	0	464	464
Hedge accounting derivatives	0	360	0	360	0	277	0	277
Total liabilities	**439**	**5,142**	**3**	**5,584**	**1,083**	**15,249**	**574**	**16,907**

Derivatives transacted via Clearing Houses are presented after netting in compliance with their balance sheet treatment. The netted derivatives are allocated to Level 2.

The allocation of the appropriate level of positions is determined at the end of the reporting period.

Valuation process for financial instruments categorised as Level 3

The valuation of financial instruments categorized as Level 3 involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking for similar transactions, among others. This involves estimation and expert judgment.

Changes in volumes of Level 1 and Level 2

Changes in Level 1 and Level 2 volumes of financial instruments carried at fair value in the balance sheet

	Dec 17		Dec 18	
in EUR million	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Securities				
Net transfer from Level 1		-203		525
Net transfer from Level 2	203		-525	
Net transfer from Level 3	-6	126	1	-76
Purchases/sales/expiries	-3,567	-633	-4,234	-648
Changes in derivatives	6	-1,588	-7	-1,081
Total year-to-date change	**-3,364**	**-2,298**	**-4,765**	**-1,280**

Movements in 2018. The total amount of Level 1 financial assets decreased by EUR 4,765 million compared to last year. The change in volume of Level 1 securities (decreased by EUR 4,758 million) was determined on the one hand by matured or sold assets in the amount of EUR 2,985 million and on the other hand by new investments in the amount of EUR 2,064 million. The decrease in volume for securities that were allocated to Level 1 at both reporting dates (2018 and 2017) amounted to EUR 3,397 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 93 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by financial institutions (EUR 72 million), but also to securities issued by governments (EUR 19 million) and other corporates (EUR 2 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 618 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 535 million), other corporates (EUR 58 million) as well as securities issued by financial institutions (EUR 25 million). Level 3 instruments in the amount of EUR 2 million were reclassified to Level 1. Deteriorated availability of market-observable prices led to a reclassification of EUR 1 million from Level 1 to Level 3. The remaining positive change in the amount of EUR 83 million was due to partial sales and fair value changes of reclassified instruments. The volume of derivatives decreased by EUR 7 million.

Movements in 2017. The total amount of Level 1 financial assets decreased by EUR 3,364 million compared to last year. The change in volume of Level 1 securities (decreased by EUR 3,370 million) was determined on the one hand by matured or sold assets in the amount of EUR 5,407 million and on the other hand by new investments in the amount of EUR 2,749 million. The decrease in volume for securities that were allocated to Level 1 at both reporting dates (2017 and 2016) amounted to EUR 982 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 346 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by other corporates (EUR 147 million), but also to securities issued by governments (EUR 110 million) and financial institutions (EUR 90 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 143 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by financial institutions (EUR 83 million), governments (EUR 53 million) and as well as securities issued by other corporates (EUR 7 million). Level 1 instruments in the amount of EUR 7 million were reclassified to Level 3. The remaining change in the amount of EUR 73 million was due to partial sales and fair value changes of reclassified instruments.

The reclassifications between Level 1 and Level 2, broken down to measurement categories and instruments

in EUR million	Dec 17 Level 1 to Level 2	Dec 17 Level 2 to Level 1	Dec 18 Level 1 to Level 2	Dec 18 Level 2 to Level 1
Financial assets AfS	**121**	**270**	**x**	**x**
Bonds	44	238	x	x
Funds	77	22	x	x
Other	0	9	x	x
Stocks	0	1	x	x
Financial assets at FVOCI	**x**	**x**	**366**	**2**
Bonds	x	x	366	2
Financial assets at FVPL	**4**	**27**	**x**	**x**
Funds	2	4	x	x
Bonds	2	8	x	x
Other	0	15	x	x
Non-trading financial assets at FVPL	**x**	**x**	**5**	**90**
Funds	x	x	0	65
Bonds	x	x	5	25
Financial assets HfT	**19**	**50**	**247**	**2**
Bonds	15	50	247	1
Funds	4	0	0	1
Total	**143**	**346**	**618**	**94**

Movements in 2018. The total value of Level 2 financial assets decreased between 2018 and 2017 by EUR 1,280 million. The Level 2 fair value change of securities and other receivables (down by EUR 199 million) can be explained for the most part by matured or sold positions in the amount of EUR 1,130 million and new investments in the amount of EUR 721 million. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates 2018 and 2017 amounted to EUR 207 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 618 million was reclassified from Level 1 to Level 2 in 2018. This applies mainly to securities issued by governments (EUR 535 million), securities issued by other corporates (EUR 58 million) and financial institutions (EUR 25 million). Securities in the amount of EUR 93 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 103 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 27 million was reclassified from Level 3 to Level 2. The remaining decrease in the amount of EUR 32 million was due to partial sales and fair value changes of reclassified instruments. The decrease on the asset side derivatives in Level 2 by EUR 1,081 million are caused by changes in market values and by netting effects.

Following the reclassification of own issues from an amortized cost treatment to a valuation at fair value, the total Level 2 financial liabilities increased by EUR 10 billion. Whereas the fair value of derivatives decreased by EUR 1 billion, the portfolio of securities increased by EUR 11 billion. The fair value of client deposits increased by EUR 163 million.

Movements in 2017. The total value of Level 2 financial assets decreased between 2017 and 2016 by EUR 2,298 million. The Level 2 fair value change of securities and other receivables (down by EUR 709 million) can be explained for the most part by matured or sold positions in the amount of EUR 1,229 million and new investments in the amount of EUR 982 million. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates 2017 and 2016 amounted to EUR 122 million due to purchases sales and changes in market values. Due to reduced market depth a total volume of EUR 143 million was reclassified from Level 1 to Level 2 in 2017.

This applies mainly to securities issued by financial institutions (EUR 82 million), securities issued by governments (EUR 53 million) and other corporates (EUR 7 million). Securities in the amount of EUR 346 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 121 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 247 million was reclassified from Level 3 to Level 2. The remaining increase in the amount of EUR 4 million was due to partial sales and fair value changes of reclassified instruments. The holding of loans and advances which are measured at fair value decreased by EUR 268 million in the current reporting period. The decrease on the asset side derivatives in Level 2 by EUR 1,588 million are caused by changes in market values and by netting effects.

On the liability side, as far as securities are concerned, there were no significant movements between the levels. Changes in the amounts were caused either by purchases, sales or changes in market value. The changes of derivatives were mainly caused by changes in the market value and netting effects.

Movements in Level 3 of financial instruments carried at fair value

Development of fair value of financial instruments in Level 3

in EUR million		Gains/losses profit or loss	Gains/losses OCI	Purchases	Sales	Settlements	Addition to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	
	Jan 18											Dec 18
Assets												
Financial assets HfT	68	5	0	7	-25	-7	0	0	40	-8	0	80
Derivatives	25	5	0	0	0	-3	0	0	40	-5	0	61
Other financial assets held for trading	43	0	0	7	-25	-4	0	0	1	-2	0	19
Non-trading financial assets at FVPL	859	56	0	112	-159	-117	2	-1	74	-43	-5	778
Equity instruments	230	65	0	50	-39	0	2	0	19	-10	0	317
Debt securities	150	-4	0	6	-6	-14	0	-1	53	-11	1	174
Loans and advances	479	-5	0	55	-114	-104	0	0	3	-22	-6	287
Financial assets at FVOCI	446	0	25	12	-4	-21	0	0	165	-119	-2	502
Equity instruments	167	0	28	0	-2	0	0	0	46	0	0	239
Debt securities	278	0	-3	12	-2	-21	0	0	120	-119	-1	263
Hedge accounting derivatives	0	1	0	0	0	0	0	0	0	0	0	1
Total assets	**1,373**	**62**	**25**	**131**	**-188**	**-146**	**2**	**-1**	**280**	**-169**	**-7**	**1,361**
Liabilities												
Financial liabilities HfT	5	2	0	2	0	-1	0	0	6	0	0	14
Derivatives	5	2	0	2	0	-1	0	0	6	0	0	14
Financial liabilities at FVPL	1,128	15	0	3	0	-80	0	-4	160	-660	0	561
Deposits from customers	137	0	0	0	0	0	0	0	0	-137	0	0
Debt securities issued	456	0	0	3	0	0	0	0	160	-523	0	96
Other financial liabilities	534	15	0	0	0	-80	0	-4	0	0	0	464
Total liabilities	**1,132**	**17**	**0**	**5**	**0**	**-82**	**0**	**-4**	**166**	**-660**	**0**	**574**

in EUR million		Gains/losses profit or loss	Gains/losses OCI	Purchases	Sales	Settlements	Addition to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	
	Dec 16											Dec 17
Assets												
Financial assets HfT	138	-5	-2	47	-8	-19	0	0	35	-124	2	65
Derivatives	96	-5	-2	0	-1	-2	0	0	0	-67	2	22
Other financial assets held for trading	42	-0	0	47	-7	-18	0	0	35	-57	0	43
Financial assets at FVPL	28	1	0	2	-0	0	0	0	0	-10	0	21
Financial assets AfS	867	12	20	27	-55	-37	0	-2	243	-314	4	767
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	-0	0	0
Total assets	**1,034**	**8**	**18**	**76**	**-63**	**-57**	**0**	**-2**	**279**	**-448**	**7**	**853**
Liabilities												
Financial liabilities HfT	1	0	0	3	0	-0	0	0	1	-1	0	3
Derivatives	1	0	0	3	0	-0	0	0	1	-1	0	3
Financial liabilities at FVPL	90	0	0	0	0	0	0	0	8	-97	-0	0
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	90	0	0	0	0	0	0	0	8	-97	-0	0
Other financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	**91**	**-0**	**0**	**3**	**0**	**-0**	**0**	**0**	**8**	**-98**	**-0**	**3**

Movements in 2018. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 103 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 53 million) and securities from other corporates in the amount of EUR 50 million. On the other hand securities in the amount of EUR 27 million were reclassified from Level 3 to Level 2. Thereof EUR 18 million are securities issued by other corporates, EUR 5 million by financial institutions and EUR 4 million are securities issued by sovereigns. The movement from Level 3 to Level 1 amounted to EUR 2 million, while EUR 1 million were reclassified from Level 1 to Level 3. The main driver for the increase in Level 3 instruments of EUR 284 million can be allocated to loans and advances which are measured at fair value under IFRS 9. The additional change in Level 3 positions was on the one hand caused by an increase in derivative exposure of EUR 40 million and on the other hand by an increase caused by the purchase, sale and market value change of securities in the amount of EUR 108 million.

Movements in 2017. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 121 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 88 million) and securities from other corporates in the amount of EUR 33 million. On the other hand securities in the amount of EUR 247 million were reclassified from Level 3 to Level 2. Thereof EUR 124 million are securities issued by financial institutions, EUR 81 million by sovereigns and EUR 42 million are securities issued by other corporates. Out of Level 1 EUR 7 million were reclassified to Level 3. The additional change in Level 3 positions was on the one hand caused by an decrease in derivative exposure of EUR 74 million and on the other hand by a decrease caused by the purchase, sale and market value change of securities in the amount of EUR 31 million.

The change in debt securities in issue in Level 3 is attributable on the one hand to purchases of EUR 35 million and on the other to a transfer to Level 3 of EUR 55 million.

Gains/losses in profit or loss on Level 3 instruments held at the end of the reporting period

in EUR million	1-12 17	1-12 18
Assets		
Financial assets HfT	-6.7	8.1
Derivatives	-6.2	8.3
Other financial assets held for trading	-0.4	-0.2
Financial assets at FVPL	1.0	x
Non-trading financial assets at FVPL	x	54.2
Equity instruments	x	63.9
Debt securities	x	-2.9
Loans and advances	x	-6.8
Financial assets at FVOCI	x	-1.1
Debt securities	x	-1.1
Hedge accounting derivatives	0.0	1.3
Total	**-5.7**	**62.4**

For financial liabilities designated at FVPL in Level 3 a valuation of EUR -17 million was posted via income statement for the end of the reporting period (2017: EUR 0 million).

The volume of Level 3 financial assets can be allocated to the following categories:

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- Loans which do not comply with the contractual cash flow criteria.

Unobservable inputs and sensitivity analysis for Level 3 measurements

In case the fair value measurement of a financial asset is retrieved from input parameters which are not observable in the market, those parameters can be retrieved from a range of alternative parameters. For the preparation of the balance sheet the parameters where chosen to reflect the market situation at the reporting date.

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Dec 18					
Positive fair value of derivatives	Forwards, swaps, options	54.9	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.59%-100% (5.59%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	91.6	Discounted cash flow	Credit Spread	0.81%-4.87% (3.53%)
	Loans	286.6	Discounted cash flow	PD	0%-43.38% (0.98%)
				LGD	05-85.69% (19.14%)
Financial assets at FVOCI	Fixed and variable coupon bonds	75.1	Discounted cash flow	Credit Spread	1.95%-7.27% (4.39%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	174.6	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.22-1.25 Recreation 0.95 Real Estate (General/Diversified) 0.82 Financial Svcs. (Non-bank & Insurance) 0.94-1.04 Banks (Regional) 0.74
				Country risk premium	Croatia 3.47%, Austria 0.41%-0.46% Czech Republic 0.81% Romania 2.26%, Russia 2.89%, Slovakia 0.98%, Spain 1.85% Resulting cost of equity based on above inputs: 7.42%-13.73%
		162.8	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		40.4	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dec 17					
Positive fair value of derivatives	Forwards, swaps, options	23.2	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.76% -100% (10.5%)
				LGD	60%
Financial assets – AFS	Fixed and variable coupon bonds	154.2	Discounted cash flow	Credit Spread	0.8% -8.0% (2.3%)
	Non-trading equity instruments (participations)	142.5	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Life Insurance 1.99-2.02 Real Estate (General/Diversified) 0.8 Financial Services (Non-bank & Insurance) 0.95 Restaurant 0.95
				Country risk premium	Croatia 3.47%, Austria 0.46%, Czech Republic 0.81%, Romania 2.32%, Spain 2.01% Resulting cost of equity based on above inputs: 7.24% - 18.87%
		144.3	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		33.1	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

For equity instruments other than participations classified as Level 3, the amount of EUR 23.4 million (2017: EUR 70.8 million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Sensitivity analysis using reasonably possible alternatives per product type

	Dec 17		Dec 18	
	Fair value changes		Fair value changes	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	1.9	-1.9	2.2	-2.8
Income statement	1.9	-1.9	2.2	-2.8
Debt securities	26.2	-34.9	45.3	-60.3
Income statement	1.9	-2.6	23.7	-31.5
Other comprehensive income	24.2	-32.3	21.6	-28.8
Equity instruments	66.0	-51.9	71.6	-52.8
Income statement	28.4	-22.8	36.2	-31.6
Other comprehensive income	37.6	-29.0	35.4	-21.2
Loans and advances	x	x	9.5	-24.8
Income statement	x	x	9.5	-24.8
Total	**94.1**	**-88.7**	**128.6**	**-140.7**
Income statement	**32.2**	**-27.3**	**71.6**	**-90.7**
Other comprehensive income	**61.8**	**-61.3**	**57.0**	**-50.0**

In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding fair values. Positive correlation effects between PDs and LGDs were not taken into account in the sensitivity analysis. For non-trading equity instruments increases (decreases) in any of the inputs used for the cost of equity calculation in isolation would result in a lower (higher) fair value.

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:
- for debt securities range of credit spreads between +100 basis points and -75 basis points
- for equity related instruments the price range between -10% and +5%
- for unquoted equity instruments measured by the adjusted net asset value the price range between -10% and +10%
- for unquoted equity instruments measured by dividend discount model/simplified income approach the cost of equity range beween -2% and +2%
- for CVA on derivatives PDs rating upgrade/downgrade by one notch, as well as the change of LGD by -5% and +10%.
- for loans, the PDs rating upgrade/downgrade by 1%, the change of LGD by -5% and +10% and a range of credit spreads between +100 basis points and 75 basis points

Financial instruments not carried at fair value with fair value disclosed in the notes

in EUR million	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Dec 18					
Assets					
Cash and cash balances	17,549	17,549	0	0	0
Financial assets at AC	189,106	192,194	25,146	1,761	165,288
Loans and advances to banks	19,103	19,098	0	0	19,098
Loans and advances to customers	143,953	146,096	0	0	146,096
Debt securities	26,050	27,000	25,146	1,761	93
Finance lease receivables	3,763	3,775	0	0	3,775
Trade and other receivables	1,318	1,315	0	0	1,315
Liabilities					
Deposits from banks	17,658	17,752	0	0	17,752
Deposits from customers	162,426	162,179	0	0	162,179
Debt securities issued	16,293	16,478	6,761	9,544	172
Other financial liabilities	486	486	0	0	486
Financial guarantees and commitments					
Financial guarantees	n/a	201			201
Irrevocable commitments	n/a	102			102

in EUR million	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Dec 17					
Assets					
Cash and cash balances	21,796	21,796	0	0	0
Financial assets HtM	19,800	20,969	19,903	1,014	52
Loans and receivables to credit institutions	9,126	9,145	0	78	9,068
Loans and receivables to customers	139,532	141,431	0	0	141,431
Liabilities					
Deposits from banks	16,349	16,421	0	0	16,421
Deposits from customers	150,921	151,168	0	0	151,168
Debt securities issued	23,342	24,876	1,780	22,282	814
Other financial liabilities	1,099	1,105	0	0	1,105
Financial guarantees and commitments					
Financial guarantees	n/a	-50	0	0	-50
Irrevocable commitments	n/a	43	0	0	43

In the table above, positive fair values of financial guarantees and commitments are shown with a positive sign whereas negative fair values are shown with a negative sign.

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of debt securities at amortised cost are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of deposits and other liabilities, measured at amortised cost, is estimated by taking into account the current interest rate environment, as well as the own credit spreads. These positions are assigned to the Level 3 category. For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Moreover optionality is taken into account when calculating the fair value.

For off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) the following fair value approaches are applied: the fair value of unused loan commitments is estimated using regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated total fair value and the notional amount of the hypothetical loan equivalents represents the fair value of the unused loan commitments. In case of the total fair value being higher than the notional amount of the hypothetical loan equivalents the unused loan commitments have a positive fair value. The fair value of financial guarantees is estimated in analogy to credit default swaps. The fair value of the guarantee is the sum of the present value of the protection leg and the present value of the premium leg. The value of the protection leg is estimated using the PDs and LGDs of the respective customers, whereas the value of the premium leg is estimated by the present value of the future fee payments to be received. If the protection leg is higher than the premium leg, financial guarantees have a negative fair value.

57. Fair value of non-financial assets

Fair values and fair value hierarchy of non-financial instruments

in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Dec 18					
Assets for which the FV is disclosed in the notes					
Investment property	959	1,082	0	0	1,082
Assets for which the FV is presented in the balance sheet					
Assets held for sale	90	103	0	0	103
Dec 17					
Assets for which the FV is disclosed in the notes					
Investment property	899	1,041	0	0	1,041
Assets for which the FV is presented in the balance sheet					
Assets held for sale	87	90	0	0	90

Investment properties are measured at fair value on recurring basis. Assets held for sale, which consist mainly of property, are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification.

Fair values of commercial real estate in Austria and CEE owned by Erste Group through Austrian companies are based on valuation reports relying essentially, but not solely, on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets).

For all other property owned by Erste Group through subsidiaries located in CEE countries the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors.

The book value related to investment properties for which no disclosure according to IFRS 13 is required amounts to EUR 200 million as of 31 December 2018 (2017: EUR 212 million). The corresponding fair value amounts to EUR 216 million (2017: EUR 214 million).

The book value related to assets held for sale for which no disclosure according to IFRS 13 is required amounts to EUR 76 million (2017: EUR 60 million) as of 31 December 2018. The corresponding fair value amounts to EUR 88 million (2017: EUR 70 million).

58. Financial instruments per category according to IAS 39

Dec 17	Category of financial instruments									
in EUR million	Loans and receivables	HtM	Trading	Designated at fair value	AfS	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
Assets										
Cash and cash balances	17,494	0	0	0	0	0	4,303	0	0	21,796
Loans and receivables to credit institutions	9,126	0	0	0	0	0	0	0	0	9,126
Loans and receivables to customers	135,845	0	0	0	0	0	0	0	3,688	139,532
Hedge accounting derivatives	0	0	0	0	0	0	0	884	0	884
Financial assets HfT	0	0	6,349	0	0	0	0	0	0	6,349
Financial assets at FVPL	0	0	0	543	0	0	0	0	0	543
Financial assets AfS	0	0	0	0	16,060	0	0	0	0	16,060
Financial assets HtM	0	19,800	0	0	0	0	0	0	0	19,800
Total financial assets	**162,464**	**19,800**	**6,349**	**543**	**16,060**	**0**	**4,303**	**884**	**3,688**	**214,091**
Net gains/losses of financial instruments per category										
Net gains/losses recognized through profit or loss	-100	3	184	10	123	0				
Net gains/losses recognized through OCI	0	0	0	0	-185	0				
Liabilities										
Financial liabilities HfT	0	0	3,423	0	0	0	0	0	0	3,423
Financial liabilities at FVPL	0	0	0	1,801	0	0	0	0	0	1,801
Financial liabilities at AC	0	0	0	0	0	191,711	0	0	0	191,711
Hedge accounting derivatives	0	0	0	0	0	0	0	360	0	360
Total financial liabilities	**0**	**0**	**3,423**	**1,801**	**0**	**191,711**	**0**	**360**	**0**	**197,296**
Net gains/losses recognized through profit or loss	0	0	53	-23	0	1				

Net gains/losses recognised through profit or loss include impairments.

59. Audit fees and tax consultancy fees

The following table contains fees charged by the auditors of Erste Group Bank AG and subsidiaries for the financial years 2018 and 2017; the auditors being Sparkassen-Prüfungsverband (auditing agency) and Price Waterhouse Coopers. The values for PricewaterhouseCoopers comprise the services of 'PwC Wirtschaftsprüfung GmbH' as well as the PwC network.

in EUR thousand	Dec 17	Dec 18
Statutory audit of financial statements/consolidated financial statements	**12.647**	**12.084**
Audit fees - PwC	5.248	5.505
Audit fees - Sparkassen-Püfungsverband	7.395	6.579
Audit fees - Others	3	0
Other assurance services	**1.552**	**2.152**
Other assurance services - PwC	822	921
Other assurance services - Sparkassen-Püfungsverband	730	1.232
Tax consulting	**27**	**2**
Tax consulting - PwC	12	2
Tax consulting - Sparkassen-Püfungsverband	0	0
Tax consulting - Others	15	0
Other services	**3.446**	**401**
Other services - PwC	3.425	344
Other services - Sparkassen-Püfungsverband	21	57
Total	**17.672**	**14.639**

The Sparkassen-Prüfungsverband (Austrian Savings Bank Auditing Association) provided audit services for an amount of EUR 1,257 thousand (2017: EUR 2,058 thousand) to Erste Group Bank AG and EUR 5,247 thousand (2017: EUR 5,337 thousand) for the subsidiaries. For other assurance services EUR 49 thousand (2017: EUR 41 thousand) were charged to the subsidiaries of Erste Group Bank AG while EUR 18 thousand (2017: EUR 21 thousand) is the amount for other services provided to the subsidiaries. The amounts in the table above include also fees for services provided by SPV GmbH.

The auditor 'PwC Wirtschaftsprüfung GmbH' provided audit services to Erste Group Bank AG for EUR 1,074 thousand (2017: EUR 1,040 thousand) and to the subsidiaries for EUR 591 thousand (2017: EUR 699 thousand). An amount of EUR 2,760 thousand (2017: EUR 3,509 thousand) was charged for audit services of the PricewaterhouseCoopers network to the subsidiaries.

The total amount for other assurance services provided by 'PwC Wirtschaftsprüfung GmbH' is EUR 335 thousand (2017: EUR 305 thousand).

60. Contingent liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do involve credit risk and are therefore part of the overall risk of the Bank (see Note 54.4. Credit risk).

Legal proceedings

Erste Group Bank AG and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group or Erste Group Bank AG. Erste Group is also subject to the following ongoing proceedings, some of which, if adversely adjudicated, may have a significant impact on the financial position or profitability of Erste Group or Erste Group Bank AG.

Consumer protection claims

Several banking subsidiaries of Erste Group have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and principles of general civil law and that certain fees or parts of interest payments charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as to contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions, the legal risks in connection with loans granted in the past are also increased by the enactment of politically-motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, as well as a level of unpredictability of judicial decisions beyond the level of uncertainty generally inherent in court proceedings. The following consumer protection issues are deemed particularly noteworthy.

In Romania, BCR is, aside from being a defendant in a substantial number of individual law suits filed by consumers, among several local credit institutions pursued by the consumer protection authority for allegedly abusive clauses pertaining to pre-2010 lending practices. In connection therewith, BCR is currently a defendant in individual litigation claims filed by the local consumer protection authority, in each case on behalf of a single or several borrowers. Only a few of these cases have so far been finally decided by the courts, only one of them with an adverse result for BCR. Adverse judgments on the validity of certain clauses may have the impact of invalidating such clauses also in other similar agreements concluded by BCR with other consumers.

In Hungary, foreign currency loan related invalidity lawsuits by consumers against credit institutions, including Erste Bank Hungary (EBH), have been suspended by the regulations of the 2014 consumer loan law. After the completion of the settlement and the refund process with the customers concerned with the litigation, most of the proceedings have already continued, a few of the cases are still awaiting continuation. Some consumers continue initiating further court cases after and irrespective of the settlement process completed fully in line with the 2014 consumer loan regulations. It is expected that EBH will remain a defendant in a number of these litigations and that consumers will continue and initiate further court cases, creating some level of legal uncertainty. In a number of lawsuits against credit institutions, some of them with EBH as a party, a preliminary ruling of the European Court of Justice (ECJ) has been initiated by the local courts. The questions referred to the ECJ mainly examine the compliance of FX loan agreements with European regulations on consumer protection. Rulings of the ECJ adopted so far are in favor of strengthening the legal position represented by EBH in these FX lawsuits as all of the judgements adopted by the ECJ so far confirmed the validity of the Hungarian legislation and judicial practice from a European law perspective. As a result of these pending procedures, numerous pending lawsuits have been suspended, the majority of which are still yet to be continued despite the fact that the ECJ has already adopted numerous preliminary rulings.

In Croatia, the Supreme Court of Croatia, in a proceeding initiated by a local consumer protection association against several credit institutions, among them Erste&Steiermärkische Bank d.d. (Erste Bank Croatia), declared in 2015 that Swiss Franc (CHF) clauses in loan agreements with consumers are valid, but contractual provisions permitting unilateral change of the variable interest rates in CHF denominated consumer loans, used by the majority of credit institutions until 2008, are null and void. In late 2016, the Croatian Constitutional Court rescinded the part of the Supreme Court of Croatia decision relating to the validity of CHF clauses while it upheld the verdict regarding the invalidity of the interest rate clause. The Supreme Court of Croatia has been ordered to amend its decision as it allegedly violated the constitutional right to fair trial by not providing sufficient explanation for its decision regarding CHF clauses. After the Supreme Court of Croatia in 2017 rescinded the second instance decision and returned the case with respect to the CHF clause for a retrial to the court of second instance, the second instance court delivered its decision in June 2018, declaring in essence the nullification of the CHF currency clause, holding that collective and individual consumer rights were breached. However, no specific obligation of the bank was ordered by the verdict. The impact of this decision on legal disputes with individual clients related to CHF denominated loan agreements is difficult to predict, especially in light of the laws enacted in 2015 that forced credit institutions to accept requests from clients that are consumers or individual professionals to convert their CHF denominated loans into EUR with retroactive effect. Erste Bank Croatia has filed both regular and extraordinary judicial review, as well as a constitutional complaint with the Constitutional Court.

In Austria, the Verein für Konsumenteninformation (VKI) has in early 2019 started legal proceedings against Erste Bank der oesterreichischen Sparkassen AG (EBOe), challenging in a collective action (Verbandsklage) the validity of a number of clauses in EBOe's general terms for a number of bank products, claiming that they are not transparent or violate other provisions of consumer protection laws or general principles of civil law and EBOe should discontinue the use of these clauses or of synonymous clauses and should no longer invoke these clauses. EBOe is defending the case.

Corporate Bond investors's prospectus claims

Since 2014, a number of investors in corporate bonds, issued by a large Austrian construction group in the years 2010, 2011 and 2012, have filed claims with the courts of Vienna against Austrian credit institutions, among them Erste Group Bank AG, requesting compensation for their losses as bondholders following the bankruptcy of the issuer of such corporate bonds in 2013. The plaintiffs argue in essence that the defendant credit institutions, who acted as joint-lead managers in the issuing of the respective bond, already knew of the insolvency status of the issuer at such time and should be liable for the issuing prospectus failing to state this. Erste Group Bank AG, together with a second Austrian credit institution, acted as joint-lead manager of the bond issuance in 2011. Erste Group Bank rejects the claims.

BCR Banca pentru Locuinte dispute

In 2015, the Romanian Court of Accounts (CoA) conducted an audit review in BCR Banca Pentru Locuinte (BpL) in order to assess whether the credit institution had allocated the state subsidies to its clients in accordance with the applicable legal provisions. Following the review, the CoA claims that several deficiencies were identified and that conditions for state subsidies have not been met. BpL did not accept the position taken by the CoA and initiated a contestation process which is currently ongoing. In 2017, the court of first instance announced its decision: it accepted the BpL contestation on the most relevant counts, while also upholding a few of the findings of the CoA report. BpL and CoA filed an appeal against this decision. The obligation of repayment of subsidies under the CoA decision has been suspended through an injunction granted to the credit institution until the final resolution of the dispute.

61. Analysis of remaining maturities

Expected remaining maturities of assets and liabilities

in EUR million	Dec 17		Dec 18	
	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	21,796	0	17,549	0
Financial assets HfT	1,851	4,498	1,378	4,206
Derivatives	981	2,352	722	2,316
Other financial assets held for trading	870	2,146	657	1,890
Financial assets at FVPL	28	515	x	x
Non-trading financial assets at FVPL	x	x	314	2,324
Equity instruments	x	x	17	355
Debt securities	x	x	273	1,706
Loans and advances to customers	x	x	23	264
Financial assets AfS	1,796	14,264	x	x
Financial assets at FVOCI	x	x	2,210	7,062
Equity instruments	x	x	25	213
Debt securities	x	x	2,185	6,848
Financial assets HtM	1,519	18,281	x	x
Loans and receivables to credit institutions	8,682	443	x	x
Loans and receivables to customers	24,815	114,717	x	x
Financial assets at AC	x	x	49,930	139,176
Debt securities	x	x	3,209	22,841
Loans and advances to banks	x	x	18,429	674
Loans and advances to customers	x	x	28,292	115,661
Finance lease receivables	x	x	751	3,012
Hedge accounting derivatives	110	774	59	74
Property and equipment	0	2,387	0	2,293
Investment properties	0	1,112	0	1,159
Intangible assets	0	1,524	0	1,507
Investments in associates and joint ventures	0	198	0	198
Current tax assets	108	0	101	0
Deferred tax assets	0	258	0	402
Assets held for sale	214	0	213	0
Trade and other receivables	x	x	1,211	107
Other assets	584	185	705	177
Total Assets	**61,504**	**159,155**	**74,550**	**162,242**
Financial liabilities HfT	878	2,545	756	1,752
Derivatives	863	2,071	502	1,498
Other trading liabilities	15	474	254	254
Financial liabilities at FVPL	273	1,529	1,736	12,386
Deposits	49	0	75	137
Debt securities issued	224	1,529	1,197	12,249
Other financial liabilities	0	0	464	0
Financial liabilities at AC	124,732	66,979	149,090	47,773
Deposits from banks	10,871	5,478	11,915	5,743
Deposits from customers	109,847	41,074	132,406	30,021
Debt securities issued	2,928	20,415	4,312	11,981
Other financial liabilities	1,087	13	458	28
Finance lease liabilities	x	x	0	0
Hedge accounting derivatives	128	232	242	35
Fair value changes of hedged items in portfolio hedge of interest rate risk	81	585	0	0
Provisions	137	1,511	339	0
Current tax liabilities	101	0	0	1,365
Deferred tax liabilities	0	61	99	0
Liabilities associated with assets held for sale	3	0	0	23
Other liabilities	1,906	690	1,805	521
Total Liabilites	**128,238**	**74,133**	**154,067**	**63,856**

62. Own funds and capital requirements

Among others, Erste Group fulfils hereinafter the disclosure requirements according to the Capital Requirements Regulation (CRR), in detail Art. 437 (1) (a), (d) and (e) CRR. References to chapters refer to the financial statement.

Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to the CRR and the Capital Requirement Directive (CRD IV). The CRD IV was enacted in national law in the Austrian Banking Act (ABA). Erste Group applies these rules and calculates the capital ratios according to Basel 3, taking into consideration the Austrian transitional provisions which are defined in the CRR 'Begleitverordnung', published by the Austrian regulator. Starting with 1 October 2016 the European Regulation on the exercise of options and discretions available in Union law entered into force, which is applied by Erste Group as well.

All requirements as defined in the CRR, the ABA , in technical standards issued by the European Banking Authority (EBA) and EBA guidelines are applied by Erste Group for regulatory purposes and for the disclosure of regulatory information.

Accounting Principles

The financial and regulatory figures published by Erste Group are based on IFRS. Eligible capital components are derived from the balance sheet and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation. Further details are explained in the section 'Regulatory scope of consolidation'. The uniform closing date of the consolidated regulatory figures of Erste Group is the 31 December of the respective year.

Comparison of consolidation for accounting purposes and regulatory purposes

Disclosure requirements: Art. 436 (b) CRR

Scope of Consolidation

Further details regarding the IFRS scope of consolidation are disclosed in chapter 'B. Significant accounting policies' under the section 'scope of consolidation'.

The regulatory scope of consolidation is used as a synonym for the scope of consolidation that follows the regulatory requirements for consolidation as defined by the CRR and the ABA, which introduces the requirements of the CRD IV into national law.
An entity by entity view with detailed information on the consolidation method applied for each entity within the accounting and the regulatory scopes of consolidation are disclosed in connection with the disclosure requirements according to part 8 of the CRR.

Regulatory scope of consolidation and institutional protection scheme

The consolidated regulatory own funds and the consolidated regulatory capital requirements are calculated based on the scope of consolidation stipulated in the Capital Requirements Regulation (CRR). Based on Art. 4 para 1 (3), (16) to (27) CRR in line with Art. 18 and 19 CRR and para 30 ABA, the scope consists of credit institutions, investment firms, financial institutions and ancillary service undertakings. This definition differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities.

The Austrian savings banks are included as subsidiaries in Erste Group's regulatory scope of consolidation based on the cross-guarantee contract of the 'Haftungsverbund'. Furthermore, Erste Group Bank AG together with the savings banks forms an institutional protection scheme (IPS) according to Art. 113 (7) CRR. Disclosure requirements for the institutional protection scheme according to Art. 113 (7) e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

Main differences between the IFRS- and the regulatory scope of consolidation based on the different requirements as defined in IFRS and CRR as well as the ABA

- Based on the CRR and ABA, mainly credit institutions pursuant to Art. 4 (1) (1) CRR, investment firms pursuant to Art. 4 (1) (2) CRR, ancillary services undertakings pursuant to Art. 4 (1) (18) CRR and financial institutions pursuant to Art. 4 (1) (26) CRR have to be considered within the regulatory scope of consolidation. On the contrary under IFRS all controlled entities, irrespectively of their business purpose, have to be consolidated.
- Exclusion of entities from the regulatory scope of consolidation can be applied based on Art. 19 CRR. According to Art. 19 (1) CRR, entities can be excluded from the regulatory scope if their total assets and off-balance sheet items are less than the lower amount of either EUR 10 million or 1% of the total amount and off-balance sheet items of the parent company. Erste Group applies Art. 19 (1) CRR.
- According to Art. 19 (2) CRR, entities can also be excluded if the limits defined in Art. 19 (1) CRR are exceeded, but are not relevant for regulatory purposes. Exclusion of entities based on Art. 19 (2) CRR needs the prior approval of the competent authorities. For entities that exceed the limits as defined in Art. 19 (1) CRR by insignificant amounts, Erste Group applies Art. 19 (2) CRR and follows the requirements for the approval process as defined within this article. Erste Group does not apply Art. 19 (1) and (2) CRR for credit institutions and investment firms.

Consolidation methods

Main differences between the IFRS- and the regulatory consolidation method, considering regulatory adjustments

For the calculation of consolidated own funds, Erste Group generally applies the same consolidation methods as used for accounting purposes. The difference relates to Art. 18 (4) CRR only, which requires proportional consolidation of entities and financial institutions managed by an undertaking included in the consolidation together with one or more undertakings not included in the consolidation, where the liability of those undertakings is limited to the share of the equity held by the institution. Based on Art. 18 (4) CRR, Erste Group applies proportional consolidation for one entity.

Consideration of consolidation methods for the calculation of consolidated own funds according to the CRR

The amounts used for the calculation of the own funds derive from the balance sheet according to IFRS. The amounts that are used as the basis for the calculation of own funds are recalculated based on the definition of the regulatory scope of consolidation according to the CRR. The difference between the IFRS balance sheet and the regulatory balance sheet arises from the different scopes of consolidation (see table regarding balance sheet reconciliation). Amounts that relate to the own shares as well as to the minority interests in fully consolidated entities are therefore determined based on the regulatory scope of consolidation according to CRR. Minority interests are calculated based on the requirements as defined in Art. 81 to 88 CRR. Minority interests that relate to entities other than credit institutions are excluded from the own funds. Minority interests that relate to credit institutions are limited to capital requirements that relate to the minority interests in the relevant credit institutions. Erste Group applies Art. 84 CRR.

Consideration of non-consolidated financial sector entities and deferred tax assets that rely on future profitability arising from temporary differences within the calculation of consolidated common equity tier 1 of Erste Group

Carrying amounts representing the investments in financial sector entities as defined in Art. 4 (27) CRR that are not fully consolidated or considered by using the at equity method for regulatory purposes have to be deducted from the own funds based on the requirements as defined in Art. 36 (1) (h), 45 and 46 CRR for non-significant investments and Art. 36 (1) (i) CRR, Art. 43, 45, 47 and 48 CRR for significant investments. For these purposes, non-significant investments are defined as investments in financial sector entities in which the participation is equal to or less than 10% of common equity tier 1 (CET1) of the relevant financial sector entities, while significant investments are defined as investments that are above 10% of the CET1 of the relevant financial sector entities. To determine the participation in the relevant financial sector entities, these participations are calculated based on the direct, indirect and synthetic holdings in the relevant entities.

According to Art. 46 (1) (a) CRR, holdings in non-significant investments have to be deducted only if the total amount for such investments, including additional tier 1 items according to Art. 56 (c) and 59 CRR and tier 2 items according to Art. 66 (c) and 70 CRR, exceeds a defined threshold of 10% in relation to CET1 of the reporting institution. The deduction shall be applied to the amount that exceeds the 10% threshold. Amounts that are equal to or less than 10% of the CET1 of the reporting institution are considered with the applicable risk weights according part 3, title II, chapter 2 respectively chapter 3 and if necessary according to the requirements of part 3, title IV within the Risk Weighted Assets (RWAs) based on the requirements according to Art. 46 (4) CRR.

For the deduction of significant investments in the CET1 of financial sector entities, a threshold is defined in Art. 48 (2) CRR. According to Art. 48 (2) CRR, significant investments in the CET1 of financial sector entities have to be deducted only if they exceed 10% of the CET1 of the reporting institution. If the 10% threshold is exceeded, the deduction is limited to the amount by which the defined threshold is exceeded. The remaining amount has to be considered within the calculation of the RWAs. The risk weight (RW) is defined at 250% according to Art. 48 (4) CRR.

In addition to the aforementioned threshold, a combined threshold for the deduction of significant investments according to Art. 36 (1) (i) CRR and for deferred tax assets that rely on future profitability and arise from temporary differences according to Art. 36 (1) (c) CRR as well as according to Art. 38 CRR is defined in Art. 48 (2) CRR. The combined threshold according to Art. 48 (2) CRR is defined at 17.65% of the CET1 of the reporting institution. If the threshold is exceeded, the exceeding amount has to be deducted from the CET1 of the reporting institution. The remaining amount has to be considered within the RWAs. A 250% RW shall be applied for the amount not exceeding the 17.65% threshold according to Art. 48 (4) CRR.

Beside the 17.65% combined threshold, a 10% threshold related to the CET1 capital of the reporting institution is applied for deferred tax assets that rely on future profitability and arise from temporary differences according to Art. 48 (3) CRR. In case the amount for deferred tax assets that rely on future profitability and which arise from temporary differences exceeds the threshold of 10% of CET1 of the reporting institution the exceeding amount has to be deducted from the CET1 of the reporting institution. The amount that is equal to or less than the threshold as defined in Art. 48 (3) CRR has to be considered within the calculation of RWAs with a 250% RW according to Art. 48 (4) CRR.

At the reporting date, Erste Group did not exceed any of the aforementioned thresholds. Hence, direct, indirect and synthetic investments in financial sector entities were not deducted from the consolidated own funds of Erste Group and therefore are considered in RWAs.

Threshold calculations according to Art. 46 and 48 CRR

in EUR million	Dec 17	Dec 18
Non-significant investments in financial sector entities		
Threshold (10% of CET1)	1.445	1.552
Holdings in CET1	-168	-235
Holdings in AT1	-15	0
Holdings in T2	-342	-331
Distance to threshold	**919**	**985**
Significant investments in financial sector entities		
Threshold (10% of CET1)	1.445	1.552
Holdings in CET1	-302	-318
Distance to threshold	**1.143**	**1.233**
Deferred tax assets		
Threshold (10% of CET1)	1.445	1.552
DTA that are dependent on future profitability and arise from temporary differences	-203	-318
Distance to threshold	**1.241**	**1.233**
Combined threshold for DTA and significant investments		
Threshold (17,65% of CET1)	2.550	2.739
DTA that are dependent on future profitability and arise from temporary differences and CET1 instruments of financial sector entities where the institution has a significant investment	-506	-695
Distance to threshold	**2.044**	**2.044**

Presentation of the scope of consolidation

Entities within the different scopes of consolidation

	IFRS		CRR			
	Full	Equity	Full	Proportional	De Minimis	Equity
Dec 18						
Credit institutions	66	2	66	0	1	1
Financial institutions, financial holding companies and mixed financial holding companies	159	33	158	1	36	16
Ancillary service undertakings, investment firms and asset management companies	64	2	37	0	42	2
Others	111	12	0	0	0	0
Dec 17						
Credit institutions	67	2	67	1	0	1
Financial institutions, financial holding companies and mixed financial holding companies	201	36	199	1	40	18
Ancillary service undertakings, investment firms and asset management companies	70	1	42	0	56	1
Others	84	12	0	0	0	0

As of 31 December 2018 the number of companies consolidated according to IFRS was 449. The number of companies consolidated according to regulatory capital requirements, except those entities which are covered by Art. 19 (1) and (2) CRR was 281.

Impediments to the transfer of own funds

Disclosure requirement: Art. 436 (c) CRR

Currently there are no restrictions or significant impediments to the transfer of financial funds or regulatory capital known for Erste Group. Further details are disclosed in chapter 'B. Significant accounting policies'.

Total capital shortfall of all subsidiaries not included in the consolidation

Disclosure requirement: Art. 436 (d) (e) CRR

As of 31 December 2018, there was no capital shortfall at any of the companies included in Erste Group's consolidation.

Own funds

Own funds according to CRR consist of CET1, additional tier 1 (AT1) and tier 2 (T2). In order to determine the capital ratios, each respective capital component – after application of all regulatory deductions and filters – is considered in relation to the total risk.

The items of own funds as disclosed are also used for internal capital management purpose. Erste Group fulfilled the capital requirements.

The regulatory minimum capital ratios including the capital buffers as of 31 December 2018 amount to

- 7.7% for CET1 (4.5% CET1, +1.875% capital conservation buffer, +1.0% buffer for systemic vulnerability and for systemic concentration risk and +0.31% countercyclical capital buffer),
- 9.2% for tier 1 capital (sum of CET1 and AT1) and
- 11.2% for total own funds.

In addition to minimum capital ratios and capital buffer requirements, institutions also have to fulfil capital requirements determined in the Supervisory Review and Evaluation Process (SREP).

Capital buffer requirements are set out in sections 23 (capital conservation buffer), 23a (countercyclical buffer), 23b (Global Systemic Important Institution (G-SII) buffer), 23c (Other Systemic Important Institution (O-SII) buffer) and 23d (systemic risk buffer) of the ABA and further specified in the regulation of the Financial Market Authority (FMA) on the establishment and recognition of the countercyclical buffer rate in accordance with section 23a para 3 ABA, on the establishment of the systemic risk buffer in accordance with section 23d para 3 ABA as well as on the detailed definition of the bases of calculation in accordance with section 23a para 3 clause 1 ABA and section 24 para 2 ABA (capital buffers regulation). All capital buffers have to be met entirely with CET1 capital and relate, except the countercyclical buffer, to total risk.

Sections 23, 23a, 23b and 23c ABA as well as the capital buffers regulation entered into force on 1 January 2016. The capital buffers regulation was amended on 23 May 2016 to include requirements for O-SII buffers.

As of the reporting date 31 December 2018, Erste Group has to fulfil the following capital buffer requirements.

According to section 23 para 1 ABA, Erste Group has to establish a capital conservation buffer in the amount of 2.5%.The transitional provisions for capital conservation buffers, by way of derogation from the requirements under section 23 ABA, are regulated in section 103q para 11 ABA: for the period from 1 January 2017 until 31 December 2017: 1.25%; for the period from 1 January 2018 until 31 December 2018: 1.875%.

According to section 23a ABA the capital buffer requirement for the countercyclical capital buffer is regulated in section 4 capital buffers regulation as follows

- The institution specific requirement for the countercyclical buffer in accordance with section 23a para 1 ABA results from the weighted average of the rates of the countercyclical capital buffer that apply in the jurisdictions where significant credit risk positions are situated in accordance with section 5 of the credit institution, multiplied by the total amount of risk in accordance with Art. 92 (3), of the Regulation (EU) no. 575/2013
- For the calculation of the weighted average according to para 1 capital buffer requirement, the countercyclical buffer quota for the national area as defined by the respective authority is multiplied with the result out of the comparison of the capital requirement related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.
- Starting from 1 January 2016 is for the purposes of section 23a para 3 clause 2 ABA the capital buffer rate for the home country allocated, significant credit risk positions is 0%.
- If the competent authority of another member state or a third country for the national legal area determines a rate of over 2.5% for the purposes of section 23a para 1 for significant credit risk positions in this legal area, a rate of 2.5% has to be applied.
- If the responsible third country authority establishes a national buffer rate, this rate is valid twelve months after the date on which the relevant third country authority has announced a change in the buffer rate.

The transitional provisions for the countercyclical buffer, by way of derogation from the requirements under section 23a ABA, are regulated in section 103q para 11 ABA as follows: for the period from 1 January 2017 until 31 December 2017: maximum of 1.25%; for the period from 1 January 2018 until 31 December 2018: maximum of 1.875%.

Erste Group is not obliged to establish a G-SII buffer in line with section 23b ABA. According to Section 7b of the capital buffers regulation, Erste Group has to establish an O-SII buffer under section 23c ABA in the amount of 2%. However, Erste Group is only required to hold the higher of the O-SII and the systemic risk buffer under section 23d ABA. As the size of the O-SII buffer as well as the transitional arrangements for its introduction are identical to the provisions for the systemic risk buffer as set out below, no additional buffer requirements arise for Erste Group.

With respect to the systemic risk buffer under section 23d ABA, the capital buffers regulation specifies:

- According to section 7 para 1 (2) capital buffers regulation, Erste Group has to establish a capital buffer for systemic vulnerability in the amount of 1%.
- According to section 7 para 2 (1) capital buffers regulation, Erste Group has to establish a capital buffer for the systemic concentration risk in the amount of 1%.

In accordance with section 10 capital buffers regulation the buffer rates for systemic vulnerability and for systemic concentration risk respectively are phased in from 1 January to 31 December 2017 with 0.5%, from 1 January to 31 December 2018 with 1%.

As a result of the 2017 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a transitional common equity tier 1 (CET1) ratio of 6.25% as of 31 December 2018. This minimum CET1 ratio of 6.25% includes Pillar 1 minimum requirement (4.5%) and Pillar 2 requirement (P2R, 1.75% valid as of 1 January 2018). In addition, Erste Group is subject to combined buffer requirement consisting of phasing in capital conservation buffer (1.875%), the institution specific countercyclical capital buffer (0.31%) and the systemic risk buffer (1.0%) requirements. Thus, overall transitional CET1 capital requirement amounts to 9.44%. In addition, ECB expects Erste Group to meet a Pillar 2 Guidance (P2G) of 1.05% valid as of 1 January 2018), fully in CET1 capital. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and capital buffers

	Dec 17	Dec 18
Pillar 1		
Minimum CET1 requirement	4,50%	4,50%
Minimum Tier 1 requirement	6,00%	6,00%
Minimum Own Funds requirement	8,00%	8,00%
Combined buffer requirement	1,90%	3,19%
Capital conservation buffer	1,25%	1,88%
Countercyclical capital buffer	0,15%	0,31%
Systemic risk buffer	0,50%	1,00%
O-SII capital buffer	0,50%	1,00%
Pillar 2		
Pillar 2 requirement (P2R)	1,75%	1,75%
Total CET1 requirement for Pillar 1 and Pillar 2	**8,15%**	**9,44%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**9,65%**	**10,94%**
Total Capital requirement for Pillar 1 and Pillar 2	**11,65%**	**12,94%**

The combined buffer requirement is the sum of the capital conservation buffer, the countercyclical capital buffer and the maximum of the O-SII capital buffer or the systemic risk buffer.

The Pillar 2 requirement has to be fulfilled with CET1 capital and excludes the P2G.

Capital structure according to EU regulation 575/2013 (CRR)

in EUR million	CRR articles	Dec 17 Phased-in	Dec 17 Final	Dec 18 Phased-in	Dec 18 Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26(1)(a)(b), 27-30, 36(1)(f), 42	2.336	2.336	2.336	2.336
Retained earnings	26(1)(c), 26(2)	10.266	10.266	11.541	11.541
Accumulated other comprehensive income	4(1)(100), 26(1)(d)	-233	-233	-1.342	-1.342
Minority interest recognised in CET1	4(1)(120), 84	3.909	3.909	4.322	4.322
Transitional adjustments due to additional minority interests	479, 480	37	0	0	0
Common equity tier 1 capital (CET1) before regulatory adjustments		**16.315**	**16.278**	**16.857**	**16.857**
Own CET1 instruments	36(1)(f), 42	-105	-105	-114	-114
Prudential filter: cash flow hedge reserve	33(1)(a)	-5	-5	3	3
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33(1)(b)	146	146	443	443
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33(1)(c), 33(2)	-4	-4	-4	-4
Value adjustments due to the requirements for prudent valuation	34, 105	-83	-83	-78	-78
Regulatory adjustments relating to unrealised gains (0%)	468	-154	0	0	0
Regulatory adjustments relating to unrealised losses (0%)	467	16	0	0	0
Securitizations with a risk weight of 1,250%	36(1)(k)	-29	-29	-32	-32
Goodwill	4(1)(113), 36(1)(b), 37	-712	-712	-710	-710
Other intangible assets	4(1)(115), 36(1)(b), 37(a)	-801	-801	-726	-726
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36(1)(c), 38	-49	-49	-21	-21
IRB shortfall of credit risk adjustments to expected losses	36(1)(d), 40, 158, 159	-187	-187	-102	-102
Other transitional adjustments CET1	469-472, 478, 481	365	0	0	0
Goodwill (0%)		142	0	0	0
Other intangible assets (0%)		160	0	0	0
IRB shortfall of provisions to expected losses (0%)		37	0	0	0
DTA allocated up to December 2013, that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (20%)		1	0	0	0
DTA allocated on or after January 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (0%)		9	0	0	0
Own CET1 instruments (0%)	36(1)(f)	14	0	0	0
Common equity tier 1 capital (CET1)	**50**	**14.712**	**14.448**	**15.517**	**15.517**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51(a) ,52-54, 56(a), 57	993	993	993	993
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0	0	7	7
Additional tier 1 capital (AT1) before regulatory adjustments		**993**	**993**	**1.000**	**1.000**
Own AT1 instruments	52(1)(b), 56(a), 57	-2	-2	-2	-2
Transitional adjustments due to grandfathered AT1 instruments	483(4)(5), 484-487, 489, 491	0	0	0	0
AT1 instruments of financial sector entities where the institution has a significant investment	4(1)(27), 56(d), 59, 79	0	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	-336	0	0	0
Goodwill (0%)		-142	0	0	0
Other intangibles (0%)		-160	0	0	0
IRB shortfall of provisions to expected losses (0%)		-19	0	0	0
Own CET1 instruments (0%)	36(1)(f)	-14	0	0	0
Additional tier 1 capital (AT1)	**61**	**656**	**992**	**999**	**999**
Tier 1 capital = CET1 + AT1	**25**	**15.368**	**15.440**	**16.516**	**16.515**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62(a), 63-65, 66(a), 67	4.385	4.385	3.797	3.797
Instruments issued by subsidiaries recognised in T2	87, 88	219	219	241	241
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	61	0	0	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483(6)(7), 484, 486, 488, 490, 491	0	0	0	0
IRB excess of provisions over expected losses eligible	62(d)	344	344	371	371
Tier 2 capital (T2) before regulatory adjustments		**5.010**	**4.948**	**4.410**	**4.410**
Own T2 instruments	63(b)(i), 66(a), 67	-50	-50	-34	-34
Standardised approach general credit risk adjustments	62(c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	-19	0	0	0
IRB shortfall of provisions to expected losses (0%)		-19	0	0	0
T2 instruments of financial sector entities where the institution has a significant investment	4(1)(27), 66(d), 68, 69, 79	-0,6	-0,6	0	0
Tier 2 capital (T2)	**71**	**4.940**	**4.898**	**4.375**	**4.375**
Total own funds	**4(1)(118) and 72**	**20.309**	**20.337**	**20.891**	**20.891**
Capital requirement	**92(3), 95, 96, 98**	**8.802**	**8.926**	**9.168**	**9.228**
CET1 capital ratio	**92(2)(a)**	**13,4%**	**12,9%**	**13,5%**	**13,5%**
Tier 1 capital ratio	**92(2)(b)**	**14,0%**	**13,8%**	**14,4%**	**14,3%**
Total capital ratio	**92(2)(c)**	**18,5%**	**18,2%**	**18,2%**	**18,1%**

Retained earnings include EUR 1.121 million of total comprehensive income attributable to owners of the parent. Minority interest recognised in CET1includes interim result from saving banks in an amount of EUR 221 million.

The capital structure table above is based on EBA's final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013, enlarged by the EBA GL 2014/14. Positions, which are not relevant for Erste Group are not disclosed. Figures shown under full implementation of Basel 3 considered the current CRR.

Changes are possible due to final Regulatory Technical Standards (RTS) that are not yet available. The percentage rates of the transitional provisions refer to the current year.

For 2017 the following percentages applied for CET1: Regulatory adjustments relating to unrealised gains (20%) and losses (20%); Other transitional adjustments – goodwill, intangible assets, IRB shortfall of provisions to expected losses (20%) and deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities until December 2013 (70%) and since January 2014 (20%); on AT1 the following percentages applied: Other transitional adjustments – goodwill and other intangible assets (20%) and IRB shortfall of provisions to expected losses (10%); on tier 2 Other transitional adjustments for IRB shortfall of provisions to expected losses of 10% applied.

The consolidated financial statements have not been reviewed and noticed by the supervisory board and the financial statements of Erste Group Bank AG have not been reviewed by the supervisory board yet.

Likewise financial statements of single entities within the group have not been noticed by the supervisory board yet. In addition, no resolution on the appropriation of the profit has yet been made by the general meeting of the single entity.

Erste Group reports since the end of the second quarter of 2017 on consolidated level an RWA-add-on in view of the calculation of risk-weighted assets for credit risk in Banca Comercială Română (BCR) in the amount of around EUR 2.4 billion. This RWA increase front-loads the expected difference in BCR between the treatments of exposures under the Standardised Approach compared to the treatment under IRB and is limited in time until the authorization of the IRB-approach in BCR

Furthermore Erste Group reports on consolidated level since Q3 2017 - due to a decision of the European Central Bank in the context of its supervisory assessments in view of deficiencies in credit risk models – a RWA-Add-On of around EUR 1.7 billion until these deficiencies will be addressed in the course of an update of these models.

Erste Group was informed by the ECB in the third quarter of 2018 about a final decision in view of credit risk models, which became effective at the end of September 2018. This decision had an effect on risk weighted assets (RWA) on consolidated level of around EUR 300 million.

Details regarding the AMA model change, which had obtained regulatory approval in October 2018 and became applicable in the fourth quarter of 2018, are disclosed under Note 54.7 Operational Risk.

Risk structure according to EU regulation 575/2013 (CRR)

in EUR million	CRR articles	Dec 17 Total risk (phased-in)	Dec 17 Capital requirement (phased-in)	Dec 18 Total risk (phased-in)	Dec 18 Capital requirement (phased-in)
Total Risk Exposure Amount	92(3), 95, 96, 98	110.028	8.802	114.599	9.168
Risk weighted assets (credit risk)	92(3)(a)(f)	86.162	6.893	92.549	7.404
Standardised approach		15.640	1.251	16.547	1.324
IRB approach		70.522	5.642	76.002	6.080
Settlement Risk	92(3)(c)(ii), 92(4)(b)	1	0	0	0
Trading book, foreign FX risk and commodity risk	92(3)(b)(i) and (c)(i) and (iii), 92(4)(b)	2.914	233	3.434	275
Operational Risk	92(3)(e), 92(4)(b)	17.911	1.433	15.241	1.219
Exposure for CVA	92(3)(d)	622	50	661	53
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500	2.419	194	2.715	217

in EUR million	CRR articles	Dec 17 Total risk (final)	Dec 17 Capital requirement (final)	Dec 18 Total risk (final)	Dec 18 Capital requirement (final)
Total Risk Exposure Amount	92(3), 95, 96, 98	111.571	8.926	115.354	9.228
Risk weighted assets (credit risk)	92(3)(a)(f)	87.705	7.016	93.303	7.464
Standardised approach		15.640	1.251	17.301	1.384
IRB approach		72.065	5.765	76.002	6.080
Settlement Risk	92(3)(c)(ii), 92(4)(b)	1	0	0	0
Trading book, foreign FX risk and commodity risk	92(3)(b)(i) and (c)(i) and (iii), 92(4)(b)	2.914	233	3.434	275
Operational Risk	92(3)(e), 92(4)(b)	17.911	1.433	15.241	1.219
Exposure for CVA	92(3)(d)	622	50	661	53
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500	2.419	194	2.715	217

Own funds reconciliation

For the disclosure of own funds, Erste Group follows the requirements according to Art. 437 CRR as well as the requirements defined in the Implementing Technical Standards (EU) No 1423/2013, which were published in the Official Journal of the European Union on 20 December 2013. Furthermore Erste Group applies the EBA Guideline No 2014/14 of more frequents disclosure regarding own funds.

Based on the requirements defined by the EBA in the Implementing Technical Standards, the following information must be provided:

- A full reconciliation of CET1 items - additional tier 1 (AT1) items, tier 2 (T2) items, filters and deductions applied pursuant to Art. 32 to 35, 36, 56, 66 and 79 CRR- to the own funds of the institution's balance sheet in accordance with Art. 437 (1) (a) CRR (see the following tables: Balance sheet, Total equity, Intangible assets, Tax assets and liabilities, Subordinated liabilities).
- A table designed by the EBA in order to show the capital structure of regulatory capital. The table includes details on the capital structure of Erste Group including the capital components as well as any regulatory deductions and prudential filters. Disclosures in this table cover the disclosure requirements as defined in Art. 437 (1) (d) CRR, separate disclosure of the nature and amounts of each prudential filter applied pursuant to Art. 32 to 35 CRR, each deduction according to Art. 36, 56 and 66 CRR as well as items not deducted in accordance with Art. 47, 48, 56, 66 and 79 CRR.

The following tables show in line with Art. 437 (1) (a) CRR the difference between the IFRS and the regulatory scope of consolidation and as well the reconciliation to the regulatory own funds.

The tables may contain rounding differences.

Balance Sheet

in EUR million	Dec 17 IFRS	Dec 17 Effects - scope of consolidation	Dec 17 CRR	Dec 18 IFRS	Dec 18 Effects - scope of consolidation	Dec 18 CRR
Assets						
Cash and cash balances	21.796	-2	21.794	17.549	-6	17.543
Financial assets held for trading	6.349	-6	6.343	5.584	-3	5.581
Derivatives	3.333	-2	3.331	3.037	1	3.039
Other financial assets held for trading	3.016	-4	3.012	2.547	-5	2.542
Pledged as collateral				163	0	163
Financial assets at fair value through profit or loss	543	-29	514	0	0	0
Non-trading financial assets at fair value through profit or loss	0	0	0	3.310	-440	2.870
Pledged as collateral	0	0	0	37	0	37
Equity instruments	0	0	0	372	-11	362
Debt securities	0	0	0	2.651	-429	2.222
Loans and advances to banks	0	0	0	0	0	0
Loans and advances to customers	0	0	0	287	0	287
Financial assets available for sale	16.060	-495	15.565	0	0	0
Pledged as collateral				0	0	0
Financial assets at fair value through other comprehensive income	0	0	0	9.272	0	9.272
Pledged as collateral	0	0	0	212	0	212
Equity instruments	0	0	0	239	0	239
Debt securities	0	0	0	9.033	0	9.033
Financial assets held to maturity	19.800	-1	19.799	0	0	0
Pledged as collateral				0	0	0
Loans and receivables to credit institutions	9.126	-4	9.122	0	0	0
Loans and receivables to customers	139.532	337	139.869	0	0	0
Financial assets at amortised cost	0	0	0	189.106	549	189.655
Pledged as collateral	0	0	0	960	0	960
Debt securities	0	0	0	26.050	-1	26.049
Loans and advances to banks	0	0	0	19.103	-10	19.092
Loans and advances to customers	0	0	0	143.953	560	144.514
Finance lease receivables	0	0	0	3.763	-36	3.727
Hedge accounting derivatives	884	0	884	132	0	132
Property and equipment	2.387	-109	2.278	2.293	-256	2.037
Investment properties	1.112	-283	828	1.159	-373	787
Intangible assets	1.524	-9	1.515	1.507	-11	1.496
Investments in associates and joint ventures	198	-25	174	198	312	510
Current tax assets	108	0	107	101	-1	100
Deferred tax assets	258	-6	252	402	-5	397
Assets held for sale	214	-78	136	213	-110	103
Trade and other receivables	0	0	0	1.318	-14	1.305
Other assets	769	92	860	882	-136	746
Total assets	**220.659**	**-619**	**220.041**	**236.792**	**-531**	**236.261**
Liabilities and equity						
Financial liabilities held for trading	3.423	1	3.424	2.508	1	2.509
Derivatives	2.934	1	2.935	2.000	1	2.001
Other financial liabilities held for trading	489	0	489	508	0	508
Financial liabilities at fair value through profit or loss	1.801	0	1.801	14.122	-450	13.672
Deposits from customers	49	0	49	212	0	212
Debt securities issued	1.753	0	1.753	13.446	14	13.460
Other financial liabilities	0	0	0	464	-464	0
Financial liabilities at amortised cost	191.711	-411	191.300	196.863	110	196.973
Deposits from banks	16.349	-4	16.345	17.658	-20	17.638
Deposits from customers	150.921	162	151.082	162.426	156	162.583
Debt securities issued	23.342	-35	23.307	16.293	-19	16.274
Other financial liabilities	1.099	-534	566	486	-7	479
Finance lease liabilities	0	0	0	0	0	0
Hedge accounting derivatives	360	0	360	277	0	277
Fair value changes of hedged items in portfolio hedge of interest rate risk	666	0	666	0	0	0
Provisions	1.648	-10	1.638	1.705	-9	1.696
Current tax liabilities	101	-2	99	99	-2	97
Deferred tax liabilities	61	-12	50	23	-15	7
Liabilities associated with assets held for sale	3	0	3	3	0	3
Other liabilities	2.596	-104	2.492	2.323	-133	2.190
Total equity	**18.288**	**-82**	**18.206**	**18.869**	**-33**	**18.836**
Equity attributable to non-controlling interests	4.416	-13	4.403	4.494	34	4.528
Additional equity instruments	993	0	993	993	0	993
Equity attributable to owners of the parent	12.879	-69	12.810	13.381	-67	13.315
Subscribed capital	860	0	860	860	0	860
Additional paid-in capital	1.477	0	1.477	1.477	0	1.477
Retained earnings and other reserves	10.542	-69	10.474	11.045	-67	10.978
Total liabilities and equity	**220.659**	**-619**	**220.041**	**236.792**	**-531**	**236.261**

The following tables represent, as far as possible, a reconciliation between the IFRS balance sheet items to the items of CET1, AT1 and T2, as well as information on the regulatory adjustments arising from correction items in accordance with Art. 32 to 35 CRR and the deductions according to Art. 36, 56, 66 and 79 CRR. The letter in the last column sets the derived amount from IFRS figures with the appropriate eligible amount of own funds presentation in conjunction.

Total equity

in EUR million	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 18							
Subscribed capital	860	0	860	0	0	860	
Additional paid-in capital	1.477	0	1.477	0	-1	1.476	
Capital instruments and the related share premium accounts	2.336	0	2.336	0	-1	2.336	a
Retained earnings	12.280	-60	12.220	0	-679	11.541	b
Accumulated other comprehensive income (OCI)	-1.235	-6	-1.242	-11	-89	-1.342	c
Cash flow hedge reserve	-3	0	-3	0	0	-3	g
Available for sale reserve							
Fair value reserve	229	0	229	59	14	302	
Own credit risk reserve	-435	-1	-436	-7	0	-443	o
Currency translation reserve	-598	-6	-604	0	-13	-617	
Remeasurement of defined benefit plans	-428	0	-428	-63	-91	-582	
Deferred tax							
Equity attributable to owners of the parent	**13.381**	**-67**	**13.315**	**-11**	**-768**	**12.535**	
Additional equity instruments	993	0	993	0	-993	0	
Equity attributable to non-controlling interests	4.494	34	4.528	-66	-140	4.322	d
Total equity	**18.869**	**-33**	**18.836**	**-77**	**-1.902**	**16.857**	

in EUR million	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 17							
Subscribed capital	860	0	860	0	0	860	
Additional paid-in capital	1.477	0	1.477	0	-1	1.476	
Capital instruments and the related share premium accounts	2.336	0	2.336	0	-1	2.336	a
Retained earnings	10.918	-61	10.857	0	-591	10.266	b
Accumulated other comprehensive income (OCI)	-375	-8	-383	192	-41	-233	c
Cash flow hedge reserve	4	0	4	1	0	5	g
Available for sale reserve	545	-2	543	340	-186	697	
thereof 20% prudential filter according to 467 CRR	0	0	0	0	0	16	i
thereof 20% prudential filter according to 468 CRR	0	0	0	0	0	-154	h
Currency translation reserve	-503	-6	-509	0	-13	-521	
Remeasurement of defined benefit plans	-364	0	-364	-150	107	-407	
Deferred tax	-57	0	-57	0	57	0	
Other	0	0	0	0	-7	-7	
Equity attributable to owners of the parent	**12.879**	**-69**	**12.810**	**192**	**-633**	**12.369**	
Additional Tier 1 (AT1)	993	0	993	0	-993	0	
Equity attributable to non-controlling interests	4.416	-13	4.403	-196	-261	3.946	d
Total equity	**18.288**	**-82**	**18.206**	**-5**	**-1.887**	**16.315**	

IPS adjustments include the amounts for entities that are consolidated due to the Institutional Protections Scheme according to Art. 113 (7) CRR. Further details regarding the development of IFRS equity are disclosed under section Group Statement of Changes in Total Equity.

Intangible assets

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 18						
Intangible assets	**1.507**	**-11**	**1.496**	**-60**	**1.436**	**e**

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 17						
Intangible assets	1.524	-9	1.515	-2	1.513	
80% deductible from CET1 acc. to transitional provisions					1.210	e
20% deductible from AT1 acc. to transitional provisions					303	k
Intangible assets	**1.524**	**-9**	**1.515**	**-2**	**1.513**	

Details regarding the development of intangible assets are disclosed under Note 37 Intangible assets.

Deferred Taxes

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 18						
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	23	-3	21	0	20	f
Related DTA allocated on or after Jan 14 for which 100% CET1 deduction is required according to CRR transitional provisions			19	0	19	
Related DTA allocated up to Dec 13 for which 80% deduction from CET1 is required according to CRR transitional provisions			2	0	1	
DTA that rely on future profitability and arise from temporary differences	379	-2	376	-376	0	
Deferred tax assets	**402**	**-5**	**397**	**-377**	**20**	

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 17						
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	49	0	49	-11	38	f
Related DTA allocated on or after Jan 14 for which 80% CET1 deduction is required according to CRR transitional provisions			47	-9	38	
Related DTA allocated up to Dec 13 for which 30% deduction from CET1 is required according to CRR transitional provisions			2	-1	1	
DTA that rely on future profitability and arise from temporary differences	209	-6	203	-203	0	
Deferred tax assets	**258**	**-6**	**252**	**-214**	**38**	

Details regarding deferred tax assets are disclosed under Note 38 Tax assets and liabilities.

Based on the threshold definition according to Art. 48 CRR deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for Erste Group as of 31 December 2018. In accordance with Art. 48 (4) CRR the non-deductible amount is risk weighted with 250% and considered within the credit risk.

Subordinated liabilities and additional tier 1 issuances

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 18						
Subordinated issues, deposits and supplementary capital	5.915	2	5.916	-1.912	4.004	
Tier 2 capital instruments (including related share premium) issued by the parent company	0	0	0	0	3.763	l
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties	0	0	0	0	241	m
thereof instruments issued by subsidiaries subject to phase-out	0	0	0	0	0	
Additional Tier 1 (AT1) issuances	1.005	0	1.005	-7	999	j
Subordinated liabilities	**6.920**	**2**	**6.921**	**-1.919**	**5.003**	

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 17						
Subordinated issues, deposits and supplementary capital	5.948	2	5.949	-1.333	4.616	
Tier 2 capital instruments (including related share premium) issued by the parent company					4.335	l
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties					281	m
thereof instruments issued by subsidiaries subject to phase-out					61	
Additional Tier 1 (AT1) issuances	995	0	995	-4	992	j
Subordinated liabilities	**6.943**	**2**	**6.944**	**-1.335**	**5.608**	

Details regarding subordinated liabilities are disclosed under Note 42 Financial liabilities-at fair value through profit or loss and Note 43 Financial liabilities measured at amortised cost. EUR 85 million subordinated debt in form of deposits are included in the balance sheet position Financial liabilities measured at amortised cost and are not explicitly shown in Note 43. Details for AT1 issuances can be found under section III Group Statement of Changes in Total Equity. In addition to EUR 2 million AT1 from Bausparkasse considered in 2017, EUR 10 million AT1 from Sparkasse Niederösterreich are taken into account. Whereas Sparkasse Niederösterreich's AT1 is eligible with EUR 7 million, former's AT1 does not allow a regulatory consideration.

Transitional provisions

The Transitional Provisions which are applied by Erste Group, are based on CRR-Supplementary Regulation according to BGBl II Nr. 425/2013, and the regulation of the European Central Bank on the exercise of options and discretions, ECB/2016/4.

Own funds template

Disclosure requirements: Art. 437 (1) (d) (e) CRR
Erste Group does not consider Art. 437 (1) (f) CRR for the calculation of consolidated own funds.

The table below presents the composition of the regulatory capital based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the EU.

Shown are the current amount, references to the respective CRR articles and referenced to the above shown tables (equity, intangible assets, deferred tax assets and subordinated liabilities).

in EUR million		Dec 2018	Regulation (EU) No 575/2013	Reference to the tables
1	Capital instruments and the related share premium accounts	2.336	26(1), 27, 28, 29, EBA list 26(3)	a
	of which: ordinary shares	2.336	EBA list 26(3)	a
2	Retained earnings	11.541	261)(c)	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-1.342	26(1)	c
3a	Fund for general banking risk	0	26(1)(f)	
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	0	486(2)	
	Public sector capital injections grandfathered until Jan 18	0	483(2)	
5	Minority interests (amount allowed in consolidated CET1)	4.322	84, 479, 480	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26(2)	
6	**CET1 capital before regulatory adjustments**	**16.857**		
Common Equity Tier 1 (CET1): regulatory adjustments				
7	Additional value adjustments (negative amount)	-78	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-1.436	36(1)(b), 37, 472(4)	e
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	-20	36(1)(c), 38, 472(5)	f
11	Fair value reserves related to gains or losses on cash flow hedges	3	33(a)	g
12	Negative amounts resulting from the calculation of expected loss amounts	-102	36(1)(d),40, 159, 472(6)	
13	Any increase in equity that results from securitised assets (negative amount)	0	32(1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	439	33(b)	o
15	Defined-benefit pension fund assets (negative amount)	0	36(1)(e), 41, 472(7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-114	36(1)(f), 42, 472(8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36(1)(g), 44, 472(9)	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36(1)(h), 43, 45, 46, 49(2)(3), 79, 472(10)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36(1)(i), 43, 45, 47, 48(1)(b), 49(1)-(3), 79, 470, 472(11)	
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-32	36(1)(k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36(1)(k)(i), 89-91	
20c	of which: securitisation positions (negative amount)	-32	36(1)(k)(ii), 243(1)(b), 244(1)(b), 258	
20d	of which: free deliveries (negative amount)	0	36(1)(k)(iii), 379(3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	0	36(1)(c), 38, 48(1)(a), 470, 472(5)	
22	Amount exceeding the 15% threshold (negative amount)	0	48(1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36(1)(i), 48(1)(b), 470, 472(11)	
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary differences	0	36(1)(c), 38, 48(1)(a), 470, 472(5)	
25a	Losses for the current financial year (negative amount)	0	36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36(1)(l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0		
	of which: unrealised losses	0	467	
	of which: unrealised gains	0	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36(1)(j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1.340		
29	**CET1 capital**	**15.517**		

The table is continued on the next page.

in EUR million		Dec 2018	Regulation (EU) No 575/2013	Reference to the tables
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	993	51, 52	
31	of which: classified as equity under applicable accounting standards	993		
32	of which: classified as liabilities under applicable accounting standards	0		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486(3)	
	Public sector capital injections grandfathered until Jan 18	0	483(3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	7	85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486(3)	
36	**AT1 capital before regulatory adjustments**	**1.000**		**j**
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-2	52(1)(b),56(a),57,475(2)	j
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56(b), 58, 475(3)	
39	Holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56(c), 59, 60, 79, 475(4)	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56(d), 59, 79, 475(4)	
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)	0		
41a	Residual amounts deducted from AT1 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 472(3)(a), 472(4), 472(6), 472(8)(a),472(9), 472(10)(a), 472(11)(a)	
	of which: interim loss	0		
	of which: intangible assets	0		
	of which: shortfall of provisions to expected loss	0		
	of which: own CET1 Instruments	0		
41b	Residual amounts deducted from AT1 with regard to deduction from T2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477(3), 477(4)(a)	
	of which: reciprocal cross holdings in T2 instruments	0		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		
41c	Amount to be deducted from or added to AT1 with regard to additional filters and deductions required pre-CRR	0	467, 468, 481	
	of which: possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56(e)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-2**		
44	**Additional Tier 1 (AT1) capital**	**999**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**16.516**		
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	3.797	62, 63	l
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	486(4)	
	Public sector capital injections grandfathered until Jan 18	0		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	241		m
49	of which: instruments issued by subsidiaries subject to phase-out	0	486(4)	
50	Credit risk adjustments	371	62(c)(d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	**4.410**	**0**	
T2 capital: regulatory adjustments			**0**	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-34		l
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	66(c), 69, 70, 79, 477(4)	
54a	of which: new holdings not subject to transitional arrangements	0		
54b	of which: holdings existing before 1 Jan 2013 and subject to transitional arrangements	0		
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-0,3	66(d), 69, 79, 477(4)	

The table is continued on the next page.

in EUR million		Dec 2018	Regulation (EU) No 575/2013	Reference to the tables
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		
56a	Residual amounts deducted from T2 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
	of which: shortfall of provisions to expected loss	0	472(6)	
	of which: non-significant investments	0	472(10)	
56b	Residual amounts deducted from T2 with regard to deduction from AT1 during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475(2)(a), 475(3), 475(4)(a)	
	of which: reciprocal cross holdings in T1 instruments	0		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		
56c	Amounts to be deducted from or added to T2 with regard to additional filters and deductions required pre-CRR	0	467, 468, 481	
	of which possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-35**		
58	**Tier 2 (T2) capital**	**4.375**		
59	**Total capital (TC = T1 + T2)**	**20.891**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475(2)(b), 475(2)(c), 475(4)(b)	
	of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	0	477, 477(2)(b), 477(2)(c), 477(4)(b)	
60	**Total risk-weighted assets**	**114.599**		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13,5%	92(2)(a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	14,4%	92(2)(b), 465	
63	Total capital (as a percentage of total risk exposure amount)	18,2%	92(2)(c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	3,19%	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	1,88%		
66	of which: countercyclical buffer requirement	0,31%		
67	of which: systemic risk buffer requirement	1,00%		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1,00%	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7,3%	CRD 128	
Amounts below the thresholds for deduction (before risk-weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	567	36(1)(h), 45, 46, 472(10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	318	36(1)(i), 45, 48, 470, 472(11)	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	376	36(1)(c), 38, 48, 470, 472(5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	207	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	371	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	456	62	
Capital instruments subject to phase-out arrangements (only applicable between Jan 2013 and Jan 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	40%	484(3), 486(2)&(5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484(3), 486(2)&(5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	40%	484(4), 486(3)&(5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484(4), 486(3)&(5)	
84	Current cap on T2 instruments subject to phase-out arrangements	40%	484(5), 486(4)&(5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484(5), 486(4)&(5)	

The table below presents the composition of the regulatory capital during the transitional period based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the EU.

In column (A), the current amount, which considers all the transitional requirements, is disclosed. Column (C) discloses the residual amount, implying full CRR implementation. Column (D) provides information of data comparable figures related to IFRS equity, intangible assets, deferred tax assets and subordinated liabilities as previously displayed.

			Regulation (EU) No 575/2013 article reference	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013	Reference to reconciliation tables
in EUR million		(A) Dec 17	(B)	(C)	(D)
1	Capital instruments and the related share premium accounts	2,336	26 (1), 27, 28, 29, EBA list 26 (3)	0	a
	of which: ordinary shares	2,336	EBA list 26 (3)	0	a
2	Retained earnings	10,266	26 (1) (c)	0	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	−233	26 (1)	0	c
3a	Fund for general banking risk	0	26 (1) (f)	0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (2)	0	
5	Minority interests (amount allowed in consolidated CET1)	3,946	84, 479, 480	−37	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	0	
6	**CET1 capital before regulatory adjustments**	**16,315**		**−37**	
Common Equity Tier 1 (CET1): regulatory adjustments					
7	Additional value adjustments (negative amount)	−83	34, 105	0	
8	Intangible assets (net of related tax liability) (negative amount)	−1,210	36 (1) (b), 37, 472 (4)	−303	e, k
9	Empty set in the EU				
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	−38	36 (1) (c), 38, 472 (5)	−11	f
11	Fair value reserves related to gains or losses on cash flow hedges	−5	33 (a)	0	g
12	Negative amounts resulting from the calculation of expected loss amounts	−150	36 (1) (d), 40, 159, 472 (6)	−37	
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	142	33 (b)	0	
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41, 472 (7)	0	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	−91	36 (1) (f), 42, 472 (8)	−14	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36 (1) (g), 44, 472 (9)	0	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	0	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	0	
20	Empty set in the EU				
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	−29	36 (1) (k)	0	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91	0	
20c	of which: securitisation positions (negative amount)	−29	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	0	
20d	of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)	0	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)	0	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36 (1) (i), 48 (1) (b), 470, 472 (11)	0	

The table is continued on the next page.

Continuation of the table

in EUR million		(A) Dec 17	(B)	(C)	(D)
24	Empty set in the EU				
25	of which: deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
25a	Losses for the current financial year (negative amount)	0	36 (1) (a), 472 (3)	0	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)	0	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–138		138	
	of which: unrealised losses	16	467	–16	i
	of which: unrealised gains	–154	468	154	h
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	0	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36 (1) (j)	0	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**–1,603**		**–227**	
29	**CET1 capital**	**14,712**		**–265**	
Additional Tier 1 (AT1) capital: instruments			**0**		
30	Capital instruments and the related share premium accounts	993	51, 52	0	
31	of which: classified as equity under applicable accounting standards	993		0	
32	of which: classified as liabilities under applicable accounting standards	0		0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486 (3)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (3)	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	0	85, 86, 480	0	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486 (3)	0	
36	**AT1 capital before regulatory adjustments**	**993**		**0**	**j**
Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	–2	52 (1) (b), 56 (a), 57, 475 (2)	0	j
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56 (b), 58, 475 (3)	0	
39	Holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56 (c), 59, 60, 79, 475 (4)	0	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56 (d), 59, 79, 475 (4)	0	
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)	0		0	
41a	Residual amounts deducted from AT1 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–336	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	336	
	of which: interim loss	0		0	
	of which: intangible assets	–303		303	k
	of which: shortfall of provisions to expected loss	–19		19	
	of which: own CET1 Instruments	–14		14	
41b	Residual amounts deducted from AT1 with regard to deduction from T2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477 (3), 477 (4) (a)	0	
	of which: reciprocal cross holdings in T2 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
41c	Amount to be deducted from or added to AT1 with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0	
	of which: possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	0	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–337**		**336**	
44	**Additional Tier 1 (AT1) capital**	**656**		**336**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**15,368**		**71**	

The table is continued on the next page.

Continuation of the table

in EUR million		(A) Dec 17	(B)	(C)	(D)
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	4,385	62, 63	0	l
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	486 (4)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (4)	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	281	87, 88, 480	−61	m
49	of which: instruments issued by subsidiaries subject to phase-out	61	486 (4)	−61	n
50	Credit risk adjustments	344	62 (c) (d)	0	
51	**Tier 2 (T2) capital before regulatory adjustment**	**5,010**		**−61**	
T2 capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	−50	63 (b) (i), 66 (a), 67, 477 (2)	0	l
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	66 (b), 68, 477 (3)	0	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	66 (c), 69, 70, 79, 477 (4)	0	
54a	of which: new holdings not subject to transitional arrangements	0		0	
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements	0		0	
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	−0.6	66 (d), 69, 79, 477 (4)	0	
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		0	
56a	Residual amounts deducted from T2 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	−19	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	19	
	of which: shortfall of provisions to expected loss	−19	472 (6)	19	
	of which: non-significant investments	0	472 (10)	0	
56b	Residual amounts deducted from T2 with regard to deduction from AT1 during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475 (2) (a), 475 (3), 475 (4) (a)	0	
	of which: reciprocal cross holdings in T1 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
56c	Amounts to be deducted from or added to T2 with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0	
	of which possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**−69**		**19**	
58	**Tier 2 (T2) capital**	**4,940**		**−43**	
59	**Total capital (TC = T1 + T2)**	**20,309**		**29**	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		0	
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	0	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	0	
	of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	0	
60	**Total risk-weighted assets**	**110,028**		**1,543**	

The table is continued on the next page.

Continuation of the table

in EUR million		(A) Dec 17	(B)	(C)	(D)
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.4%	92 (2) (a), 465	−0.4%	
62	Tier 1 (as a percentage of total risk exposure amount)	14.0%	92 (2) (b), 465	−0.1%	
63	Total capital (as a percentage of total risk exposure amount)	18.5%	92 (2) (c)	−0.2%	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	1.90%	CRD 128, 129, 130	0	
65	of which: capital conservation buffer requirement	1.25%		0	
66	of which: countercyclical buffer requirement	0.15%		0	
67	of which: systemic risk buffer requirement	0.50%		0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.50%	CRD 131	0	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.1%	CRD 128	0	
69	[non-relevant in EU regulation]				
70	[non-relevant in EU regulation]				
71	[non-relevant in EU regulation]				
Amounts below the thresholds for deduction (before risk-weighting)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	526	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	302	36 (1) (i), 45, 48, 470, 472 (11)	0	
74	Empty set in the EU				
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	203	36 (1) (c), 38, 48, 470, 472 (5)	0	
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	195	62	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	344	62	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	423	62	0	
Capital instruments subject to phase-out arrangements (only applicable between January 2013 and January 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements	50%	484 (3), 486 (2) & (5)	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	0	
82	Current cap on AT1 instruments subject to phase-out arrangements	50%	484 (4), 486 (3) & (5)	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) & (5)	0	
84	Current cap on T2 instruments subject to phase-out arrangements	50%	484 (5), 486 (4) & (5)	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	0	

63. Events after the balance sheet date

There are no significant events after the balance sheet date.

64. Country by country reporting

Starting with 2014 Erste Group publishes information about Group's country by country relevant activities as required by Article 89 of the EU Capital Requirements Directive IV.

in EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Dec 18				
Austria	2,923	543	-28	-142
Croatia	425	215	-33	-36
Czech Republic	1,584	853	-146	-144
Hungary	421	189	-9	-28
Romania	681	322	-49	-55
Serbia	90	38	-2	-3
Slovakia	628	290	-57	-46
Other locations	163	45	-8	-4
Total	**6,916**	**2,495**	**-332**	**-457**
Dec 17				
Austria	3,072	665	-136	-165
Croatia	390	54	-23	-9
Czech Republic	1,195	489	-123	-146
Hungary	386	178	-17	-13
Romania	694	285	-53	0
Serbia	81	35	-2	0
Slovakia	596	249	-55	-71
Other locations	255	123	-1	-3
Total	**6,669**	**2,078**	**-410**	**-407**

For information regarding the country of residence of each fully consolidated entity refer to Note 65 Details of the companies wholly or partly owned by Erste Group as of 31 December 2018.

For the periods reported above, Erste Group did not receive any kind of public or state subsidies.

Information about the geographical split of the average number of headcounts employed in Erste Group throughout 2018 is disclosed in Note 7 General administrative expenses.

65. Details of the companies wholly or partly owned by Erste Group as of 31 December 2018

The table below presents material, fully consolidated subsidiaries, investments in associates accounted for at equity and other investments.

Company name, registered office		Interest of Erste Group in %	
		Dec 17	Dec 18
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	39.2	39.2
Banca Comerciala Romana Chisinau S.A.	Chişinău	93.6	99.9
Banca Comerciala Romana SA	Bucharest	93.6	99.9
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bankhaus Krentschker & Co. Aktiengesellschaft	Graz	25.0	25.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Vienna	95.0	95.1
BCR Banca pentru Locuinte SA	Bucharest	93.6	99.9
Ceska sporitelna, a.s.	Prague	99.0	100.0
Die Zweite Wiener Vereins-Sparcasse	Vienna	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
ERSTE BANK AKCIONARSKO DRUŠTVO, NOVI SAD	Novi Sad	80.5	80.5
Erste Bank der oesterreichischen Sparkassen AG	Vienna	100.0	100.0
Erste Bank Hungary Zrt	Budapest	100.0	100.0
Erste Group Bank AG	Vienna	0.0	0.0
ERSTE Jelzálogbank Zártkörüen Müködö Részvénytársaság	Budapest	100.0	100.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	100.0	100.0
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems an der Donau	0.0	0.0
Lienzer Sparkasse AG	Lienz	0.0	0.0
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	100.0	100.0
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden	0.0	0.0
Sparkasse Bank dd Bosna i Hercegovina	Sarajevo	24.3	25.0
SPARKASSE BANK MAKEDONIJA AD SKOPJE	Skopje	24.9	24.9
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen	0.0	0.0
SPARKASSE FRANKENMARKT AKTIENGESELLSCHAFT	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg an der Donau	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach Bank Aktiengesellschaft	Herzogenburg	0.0	0.0
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürzzuschlag Aktiengesellschaft	Mürzzuschlag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen an der Krems	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Pöllau AG	Pöllau bei Hartberg	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried im Innkreis	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	4.2	4.2
Stavebni sporitelna Ceske sporitelny, a.s.	Prague	99.0	100.0
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
Financial institutions			
"DIE EVA" Grundstückverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
"Die Kärntner" Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	25.0
"Die Kärntner" Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
"Nare" Grundstücksverwertungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
"SELIMMO" - Sparkasse Mühlviertel-West - DIE ERSTE Leasing - Immobilienvermietung GmbH	Rohrbach	69.4	69.4
ACP Financial Solutions GmbH	Vienna	0.0	75.0
Alea-Grundstückverwaltung Gesellschaft m.b.H.	Vienna	100.0	100.0
Altstadt Hotelbetriebs GmbH	Vienna	100.0	100.0
AS-Alpha Grundstücksverwaltung Gesellschaft m.b.H.	Vienna	39.2	39.2
AVION-Grundverwertungsgesellschaft m.b.H.	Vienna	51.0	51.0
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.	Graz	25.0	25.0
BCR Fleet Management SRL	Bucharest	93.6	99.9
BCR Leasing IFN SA	Bucharest	93.6	99.9
BCR Payments Services SRL	Sibiu	93.6	99.9
BOOTES-Immorent Grundverwertungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
CS Property Investment Limited	Nicosia	99.0	100.0
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
DIE ERSTE Leasing Grundaufschließungs- und Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Grundbesitzgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Grundstückverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilien Vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilienbesitzgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilienverwaltungs- und -vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA - Liegenschaftsverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA-Gebäudeleasinggesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA-Immobilienleasing und -erwerb Gesellschaft m.b.H.	Vienna	100.0	100.0
Diners Club International Mak d.o.o.e.l. in Skopje	Skopje	69.3	69.3
Drustvo za lizing nekretnina, vozila, plovila i masina "S-Leasing" doo Podgorica	Podgorica	62.5	62.5
EB Erste Bank Internationale Beteiligungen GmbH	Vienna	100.0	100.0
EBB Beteiligungen GmbH	Vienna	100.0	100.0
EBB-Epsilon Holding GmbH	Vienna	100.0	100.0
EKZ-Immorent Vermietung GmbH	Vienna	100.0	100.0
Epsilon Immorent s.r.o.	Prague	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	47.1	47.1
Erste Bank und Sparkassen Leasing GmbH	Vienna	100.0	100.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticami, d.o.o.	Ljubljana	69.3	69.3
ERSTE FACTORING d.o.o.	Zagreb	76.9	69.3
Erste Group Immorent CR s.r.o.	Prague	100.0	100.0
Erste Group Immorent GmbH	Vienna	100.0	100.0
Erste Group Immorent International Holding GmbH	Vienna	100.0	100.0
Erste Group Immorent Lízing Zártkörüen Müködö Részvénytársaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o.	Ljubljana	100.0	100.0
ERSTE GROUP IMMORENT POLSKA SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw	100.0	100.0
ERSTE GROUP IMMORENT SRL	Bucharest	100.0	100.0
Erste Lakaslizing Zrt.	Budapest	100.0	100.0
Erste Leasing, a.s.	Znojmo	99.0	100.0
EVA-Immobilienvermietungs- und -verwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Eva-Immobilienverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
Eva-Realitätenverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
F & S Leasing GmbH	Klagenfurt	100.0	100.0
Factoring Ceske sporitelny a.s.	Prague	99.0	100.0
FUKO-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.	Vienna	62.5	62.5
good.bee credit IFN S.A.	Bucharest	60.0	60.0
good.bee Holding GmbH	Vienna	60.0	60.0
HBF Eins Holding GmbH	Vienna	100.0	100.0
Holding Card Service s.r.o.	Prague	99.3	100.0
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H.	Vienna	38.0	38.0
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	54.5	54.5
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0	40.0
Immorent - Immobilienleasing Gesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Kagraner Grundstücksverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Weiko Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT DELTA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
ImmoRent Einkaufszentren Verwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT EPSILON, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
Immorent Lehrbauhöfeerrichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent Oktatási Ingatlanhasznosító és Szolgáltató Kft.	Budapest	56.0	56.0
IMMORENT PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT PTC, s.r.o.	Prague	100.0	100.0
IMMORENT RIED GmbH	Vienna	100.0	100.0

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
IMMORENT SPARKASSE ST. PÖLTEN Leasinggesellschaft m.b.H.	St. Pölten	50.0	50.0
IMMORENT-ANUBIS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-ASTRA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-CHEMILEN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Clio-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Gamma-Grundstücksverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-GREKO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-JULIA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Kappa Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-LEANDER Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MOMO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MÖRE Grundverwertungsgesellschaft m.b.H.	Vienna	69.5	69.5
Immorent-Mytho Grundverwertungsgesellschaft m.b.H.	Vienna	50.0	50.0
IMMORENT-NERO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-Objektvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-OSIRIS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-PAN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-Raiffeisen Fachhochschule Errichtungs- und BetriebsgmbH	Vienna	55.0	55.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-RASTA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-REMUS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RIALTO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.	Vienna	55.0	55.0
IMMORENT-RIWA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RONDO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RUBIN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-SARI Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Smaragd Grundverwertung GmbH	Schwaz	0.0	0.0
Immorent-Theta-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
Immorent-WBV Grundverwertungsgesellschaft m.b.H.	Vienna	50.0	50.0
IMNA-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
Imobilia Kik s.r.o.	Prague	100.0	100.0
Intermarket Bank AG	Vienna	93.8	93.8
IR Beteiligungsverwaltungsgesellschaft mbH	Vienna	100.0	100.0
IR Domestic Project Development Holding GmbH	Vienna	100.0	100.0
IR REAL ESTATE LEASING d.o.o. u likvidaciji	Zagreb	92.5	92.5
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
LEDA-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	69.6	69.6
MEKLA Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
MOPET CZ a.s.	Prague	99.0	100.0
NAXOS-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	Vienna	2.5	2.5
Ölim-Grundverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
OMEGA IMMORENT s.r.o.	Prague	100.0	100.0
OREST-Immorent Leasing GmbH	Vienna	100.0	100.0
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Vienna	100.0	100.0
PAROS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Pischeldorfer Straße 221 Liegenschaftsverwertungs GmbH	Vienna	100.0	100.0
PONOS-Immorent Immobilienleasing GmbH	Graz	62.5	62.5
PREDUZECE ZA FINANSIJSKI LIZING S-LEASING DOO, BEOGRAD	Belgrade	66.6	66.6
RHEA-Immorent Holding GmbH	Vienna	100.0	100.0
s Autoleasing a.s.	Prague	99.0	100.0
s Autoleasing SK, s.r.o.	Bratislava	99.0	100.0
S IMMORENT KAPPA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S IMMORENT OMIKRON drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S IMMORENT ZETA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	84.9
S Slovensko, spol. s r.o.	Bratislava	100.0	100.0
s Wohnbaubank AG	Vienna	100.0	100.0
Salzburger Sparkasse Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
SCIENTIA Immorent GmbH	Vienna	100.0	100.0
S-Factoring, faktoring druzba d.d.	Ljubljana	28.0	28.0
S-Leasing Gesellschaft m.b.H.	Kirchdorf an der Krems	69.6	69.6
S-Leasing Immobilienvermietungsgesellschaft m.b.H.	Wiener Neustadt	33.3	33.3
Sluzby SLSP, s.r.o.	Bratislava	100.0	100.0
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
SPARKASSE IMMORENT Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Sparkasse Leasing d.o.o., Sarajevo	Sarajevo	24.6	25.0
Sparkasse Leasing d.o.o., Skopje	Skopje	25.0	25.0

Company name, registered office		Interest of Erste Group in %	
		Dec 17	Dec 18
Sparkasse Leasing S, družba za financiranje d.o.o.	Ljubljana	0.0	28.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach	40.0	40.0
Sparkassen IT Holding AG	Vienna	31.1	31.1
SPARKASSEN LEASING druzba za financiranje d.o.o.	Ljubljana	50.0	50.0
Sparkassen Leasing Süd GmbH	Graz	51.3	25.0
Sparkassen Leasing Süd GmbH & Co KG	Graz	46.4	25.0
Strabag Oktatási PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	70.0	70.0
Subholding Immorent GmbH	Vienna	100.0	100.0
TAURIS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Theta Immorent s.r.o.	Prague	100.0	100.0
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
TIPAL Immobilien GmbH in Liquidation	Bozen	92.5	92.5
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Vienna	100.0	100.0
VIA Immobilien Errichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
WIESTA-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
XENIA-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Zeta Immorent s.r.o.	Prague	100.0	100.0

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
Other			
"SGL" Grundstücksverwaltungs- und Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava	98.8	91.1
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Bucharest	93.6	99.9
BGA Czech, s.r.o. v likvidaci	Prague	19.8	100.0
brokerjet Ceské sporitelny, a.s. v likvidaci	Prague	99.0	100.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0	25.0
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
C&C Atlantic Limited	Dublin	100.0	100.0
CEE Property Development Portfolio 2 a.s.	Prague	99.0	100.0
CEE Property Development Portfolio B.V.	Amsterdam	19.8	20.0
Ceska sporitelna - penzijni spolecnost, a.s.	Prague	99.0	100.0
Cinci-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
CIT ONE SRL	Bucharest	93.6	99.9
Collat-real Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
CP Praha s.r.o., v likvidaci	Prague	19.8	20.0
CPDP 2003 s.r.o.	Prague	99.0	100.0
CPP Lux S. 'ar.l.	Luxembourg	19.8	20.0
CS NHQ, s. r. o.	Prague	0.0	100.0
Czech and Slovak Property Fund B.V.	Amsterdam	19.8	100.0
Czech TOP Venture Fund B.V.	Groesbeek	83.1	84.0
DIE ERSTE Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Realitätenverwaltungsgesellschaft m.b.H. in Liqu.	Vienna	100.0	100.0
Dienstleistungszentrum Leoben GmbH	Vienna	51.0	51.0
EB-Grundstücksbeteiligungen GmbH	Vienna	100.0	100.0
EB-Restaurantsbetriebe Ges.m.b.H.	Vienna	100.0	100.0
Energie CS, a.s.	Prague	99.0	100.0
Erste Asset Management d.o.o.	Zagreb	98.8	91.1
Erste Asset Management GmbH	Vienna	98.8	91.1
Erste Asset Management Ltd. (vm Erste Alapkezelo Zrt.)	Budapest	98.8	91.1
Erste Befektetesi Zrt.	Budapest	100.0	100.0
ERSTE CAMPUS Immobilien GmbH & Co KG	Vienna	100.0	100.0
Erste Campus Mobilien GmbH & Co KG	Vienna	100.0	100.0
Erste Finance (Delaware) LLC	Wilmington	100.0	100.0
Erste Grantika Advisory, a.s.	Brno	99.0	100.0
Erste Group Card Processor d.o.o. (vm.MBU)	Zagreb	100.0	100.0
ERSTE GROUP IMMORENT HRVATSKA drustvo s ogranicenom odgovornoscu za upravljanje	Zagreb	100.0	100.0
Erste Group Immorent Korlátolt Felelösségü Társaság "végelszámolás alatt"	Budapest	100.0	100.0
ERSTE GROUP IMMORENT Real Estate srl	Bucharest	100.0	100.0
Erste Group Immorent Slovensko s.r.o.	Bratislava	100.0	100.0
Erste Group IT HR društvo s ogranicenom odgovornošcu za usluge informacijskih tehnologija	Bjelovar	75.4	75.4
Erste Group IT International GmbH	Vienna	99.9	99.9
Erste Group Services GmbH	Vienna	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	99.6	100.0
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Vienna	74.3	68.7
Erste Ingatlan Fejleszto, Hasznosito es Mernoki Kft.	Budapest	100.0	100.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
Erste Reinsurance S.A.	Luxembourg	100.0	100.0
Erste Securities Istanbul Menkul Degerler AS	Istanbul	100.0	100.0
Erste Securities Polska S.A.	Warsaw	100.0	100.0
Flottenmanagement GmbH	Vienna	51.0	51.0
George Labs GmbH (vorm. BeeOne GmbH)	Vienna	100.0	100.0
GLADIATOR LEASING IRELAND LIMITED	Dublin	100.0	100.0
Gladiator Leasing Limited	Pieta	100.0	100.0
GLL 1551 TA Limited	Pieta	100.0	100.0
GLL A319 AS LIMITED	Pieta	100.0	100.0
GLL A330 Limited	Dublin	100.0	100.0
GLL CLASSIC 400 LIMITED	Pieta	100.0	100.0
GLL Engine Leasing Limited	Pieta	100.0	100.0
GLL MSN 2118 LIMITED	Dublin	100.0	100.0
Haftungsverbund GmbH	Vienna	63.9	63.9
HBM Immobilien Kamp GmbH	Vienna	100.0	100.0
HP Immobilien Psi GmbH	Vienna	100.0	100.0
HT Immobilien Tau GmbH	Vienna	100.0	100.0
HT Immobilien Theta GmbH	Vienna	100.0	100.0
HV Immobilien Hohenems GmbH	Vienna	100.0	100.0
IBF-Anlagenleasing 95 Gesellschaft m.b.H.	Vienna	100.0	100.0
IGP Industrie und Gewerbepark Wörgl Gesellschaft m.b.H.	Kufstein	0.0	0.0
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H.	Vienna	41.9	41.9
Immorent - Wörgler Grundverwertungsgesellschaft m.b.H. in Liqu.	Vienna	100.0	100.0
IMMORENT Alpha Ingatlanbérbeadó és Üzemeltetö Karlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT Orion, s.r.o.	Prague	100.0	100.0
IMMORENT Österreich GmbH	Vienna	100.0	100.0

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
Immorent Singidunum d.o.o.	Belgrade	100.0	100.0
IMMORENT Térinvest Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT Vega, s.r.o.	Prague	100.0	100.0
IMMORENT West Grundverwertungsgesellschaft m.b.H. in Liqu.	Vienna	100.0	100.0
IMMORENT-BRAUGEBÄUDE-Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Gebäudeleasinggesellschaft m.b.H. in Liqu.	Vienna	100.0	100.0
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MARCO Grundverwertungsgesellschaft m.b.H. in Liqu.	Vienna	100.0	100.0
Immorent-Sigre Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-STIKÖ Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-UTO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Invalidovna centrum a.s.	Prague	100.0	100.0
IPS Fonds Gesellschaft bürgerlichen Rechts	Vienna	64.1	63.8
IR CEE Project Development Holding GmbH	Vienna	100.0	100.0
IR REAL ESTATE SIGMA društvo s ogranicenom odgovornošcu za poslovanje nekretninama u likvidaciji	Zagreb	62.5	62.5
IZBOR NEKRETNINA D.O.O. ZA USLUGE	Zagreb	69.3	69.3
Jersey Holding (Malta) Limited	Pieta	100.0	100.0
Jura GrundverwertungsgmbH	Graz	25.0	25.0
K1A Kft	Budapest	100.0	100.0
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Immo Italia GmbH	Klagenfurt	25.0	25.0
LANED a.s.	Bratislava	100.0	100.0
Lassallestraße 7b Immobilienverwaltung GmbH	Vienna	100.0	100.0
LBG 61 LiegenschaftsverwaltungsgmbH	Vienna	100.0	100.0
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
MCS 14 Projektentwicklung GmbH & Co KG	Vienna	100.0	100.0
OM Objektmanagement GmbH	Vienna	100.0	100.0
Österreichische Sparkassenakademie GmbH	Vienna	45.6	45.6
ÖVW Bauträger GmbH	Vienna	100.0	100.0
Procurement Services CZ s.r.o.	Prague	99.5	99.9
Procurement Services GmbH	Vienna	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services RO srl	Bucharest	99.9	99.9
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Project Development Vest s.r.l	Bucharest	100.0	100.0
Proxima IMMORENT s.r.o.	Prague	100.0	100.0
QBC Management und Beteiligungen GmbH	Vienna	65.0	65.0
QBC Management und Beteiligungen GmbH & Co KG	Vienna	65.0	65.0
Realia Consult Magyarország Beruházás Szervezési KFT	Budapest	100.0	100.0
Realitna spolocnost Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	68.6	68.6
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	61.7	61.7
REICO investicni spolecnost Ceske sporitelny, a.s.	Prague	99.0	100.0
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
S IMMORENT LAMBDA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
s IT Solutions AT Spardat GmbH	Vienna	72.7	72.7
s REAL Immobilienvermittlung GmbH	Vienna	100.0	100.0
s ServiceCenter GmbH (vm. CSSC)	Vienna	58.4	58.4
s Wohnbauträger GmbH	Vienna	100.0	100.0
s Wohnfinanzierung Beratungs GmbH	Vienna	95.0	95.1
SAI Erste Asset Management S.A.	Bucharest	98.8	91.1
sBAU Holding GmbH	Vienna	100.0	100.0
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.0	25.0
sDG Dienstleistungsgesellschaft mbH	Linz	58.7	58.7
Sieben-Tiroler-Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-Invest Beteiligungsgesellschaft m.b.H.	Vienna	70.0	70.0
Sio Ingatlan Invest Kft.	Budapest	100.0	100.0
SK - Immobiliengesellschaft m.b.H.	Krems	0.0	0.0
SK Immobilien Epsilon GmbH	Vienna	100.0	100.0
SKT Immobilien GmbH	Kufstein	0.0	0.0
SKT Immobilien GmbH & Co KG	Kufstein	0.0	0.0
sMS Marktservice für Sparkassen GmbH	Krems	0.0	0.0
Solaris City Kft.	Budapest	100.0	100.0
Solaris Park Kft.	Budapest	100.0	100.0
SPARDAT - Bürohauserrichtungs- und Vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	37.6	37.9
Sparkasse S d.o.o.	Ljubljana	25.0	25.0
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	50.0	50.0
Sparkassen-Haftungs GmbH	Vienna	61.0	63.9

Company name, registered office		Interest of Erste Group in %	
		Dec 17	Dec 18
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt	57.6	57.6
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck	68.7	68.7
SPK - Immobilien- und Vermögensverwaltungs GmbH	Graz	25.0	25.0
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-RENT DOO BEOGRAD	Belgrade	35.5	35.5
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
STRAULESTI PROPERTY DEVELOPMENT SRL	Bucharest	100.0	100.0
Suport Colect SRL	Bucharest	93.6	99.9
SVJETILJKA drustvo s ogranicenom odgovornoscu za trgovinu i promet nekretninama	Zagreb	100.0	100.0
Tempo Projekt Ingatlanhasznosító Korlátolt Felelösségü Társaság végelszámolás alatt	Budapest	100.0	100.0
Toplice Sveti Martin d.d.	Saint Martin	99.2	100.0
VERNOSTNI PROGRAM IBOD, a.s.	Prague	99.0	100.0
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.0	0.0
Wallgasse 15+17 Projektentwicklungs GmbH	Vienna	100.0	100.0
Wirtschaftspark Siebenhirten Entwicklungs- und Errichtungs GmbH	Vienna	100.0	100.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.0	0.0
Funds			
Bee First Finance S.A. acting for and on behalf of its compartment Edelweiss 2013-1	Luxembourg	0.0	0.0
ESPA BOND EURO TREND	Vienna	0.0	0.0
ESPA BOND EURO-RESERVA	Vienna	0.0	0.0
ESPA CORPORATE BASKET 2020	Vienna	0.0	0.0
ESPA RESERVE CORPORATE	Vienna	0.0	0.0
ESPA RESERVE EURO MÜNDEL	Vienna	0.0	0.0
SPARKASSEN 19	Vienna	0.0	0.0
SPARKASSEN 2	Vienna	0.0	0.0
SPARKASSEN 21	Vienna	0.0	0.0
SPARKASSEN 26	Vienna	0.0	0.0
SPARKASSEN 4	Vienna	0.0	0.0
SPARKASSEN 5	Vienna	0.0	0.0
SPARKASSEN 8	Vienna	0.0	0.0
SPARKASSEN 9	Vienna	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
Equity method investments			
Credit institusions			
Prva stavebna sporitelna, a.s.	Bratislava	35.0	35.0
SPAR-FINANZ BANK AG	Vienna	50.0	50.0
Financial institutions			
Adoria Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Aventin Grundstücksverwaltungs Gesellschaft m.b.H.	Horn	24.5	24.5
CALDO Grundstücksverwertungsgesellschaft m.b.H.	Vienna	31.2	31.2
Epsilon - Grundverwertungsgesellschaft m.b.H.	Vienna	50.0	50.0
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Fondul de Garantare a Creditului Rural IFN SA	Bucharest	31.2	33.3
FORIS Grundstückvermietungs Gesellschaft m.b.H.	Bucharest	24.5	24.5
Global Payments s.r.o.	Pieta	48.6	49.0
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	Zvecan	33.3	33.3
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H.	St. Pölten	50.0	49.0
LITUS Grundstückvermietungs Gesellschaft m.b.H.	Liezen	24.5	24.5
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H.	St. Pölten	28.4	28.4
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	St. Anton a. d. Jeßnitz	50.0	50.0
NÖ Bürgschaften und Beteiligungen GmbH	Prague	14.4	14.4
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Prague	28.4	28.4
O.Ö. Kommunalgebäude-Leasing Gesellschaft m.b.H.	Prague	40.0	40.0
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Prague	33.3	33.3
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H.	Ternitz	50.0	50.0
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Ternitz	50.0	50.0
Steirische Leasing für Gebietskörperschaften Gesellschaft m.b.H.	Ternitz	50.0	50.0
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Ternitz	50.0	50.0
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Vienna	50.3	50.5
SUPRIA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.0	50.0
SWO Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	50.0	50.0
TKL V Grundverwertungsgesellschaft m.b.H.	Grieskirchen	33.3	33.3
TKL VIII Grundverwertungsgesellschaft m.b.H.	Grieskirchen	33.3	24.5
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Warsaw	25.0	25.0
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	Vienna	24.5	24.5
VBV - Betriebliche Altersvorsorge AG	Budapest	27.6	27.9
Viminal Grundstückverwaltungs Gesellschaft m.b.H.	Vienna	25.0	25.0
VKL III Gebäudeleasing-Gesellschaft m.b.H.	Bad Schönau	33.3	33.3
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	Vienna	35.0	35.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	33.3	33.3
Wohnbauinvestitionsbank GmbH in Liqu.	Fehring	34.2	34.2
Other			
APHRODITE Bauträger Aktiengesellschaft	Mödling	50.0	50.0
Bio-Wärme Scheifling GmbH	Zürs	49.0	49.0
CII Central Investments Imobiliare SRL	Vienna	47.0	47.0
ERSTE d.o.o.	Vienna	45.2	45.2
Erste ÖSW Wohnbauträger GmbH	Vienna	50.3	50.5
GELUP GmbH	Vienna	33.3	33.3
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Vienna	0.8	0.8
Hochkönig Bergbahnen GmbH	Hinterstoder	46.0	47.4
KWC Campus Errichtungsgesellschaft m.b.H.	Kula	12.5	13.6
MELIKERTES Raiffeisen-Mobilien-Leasing GmbH	Graz	20.0	20.0
SILO DREI next LBG 57 Liegenschaftsverwertung GmbH & Co KG	Vienna	100.0	49.0
SILO II LBG 57 – 59 Liegenschaftsverwertung GmbH & Co KG	Vienna	100.0	49.0
Slovak Banking Credit Bureau, s.r.o.	Unken	33.3	33.3
Other investments			
Credit institutions			
EUROAXIS BANK AD Moskva	Vienna	1.6	1.6
JUBMES BANKA AD BEOGRAD	Belgrade	0.0	0.0
Oesterreichische Kontrollbank Aktiengesellschaft	Vienna	12.9	12.9
Public Joint-stock company commercial Bank "Center-Invest"	Rostov-on-Don	9.1	9.1
Sparkasse Bank Malta Public Limited Company	Sliema	0.0	0.0
Südtiroler Sparkasse AG	Bozen	0.1	0.1
Swedbank AB	Sundbyberg	0.1	0.1
Financial institutions			
"Österreichisches Siedlungswerk" Gemeinnützige Wohnungsaktiengesellschaft	Vienna	0.0	1.0
"Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.1	19.1
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	12.9	20.3
ARWAG Holding-Aktiengesellschaft	Vienna	19.2	19.3
CaixaBank Electronic Money E.D.E., S.L.	Barcelona	10.0	10.0
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
CULINA Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
Diners Club BH d.o.o. Sarajevo	Sarajevo	69.3	69.3
Diners Club Bulgaria AD	Sofia	3.6	3.6
Diners Club International Belgrade d.o.o. Beograd	Belgrade	69.3	69.3
Diners Club International Montenegro d.o.o. in Podgorica	Podgorica	69.3	69.3
Erste Asset Management Deutschland GmbH	Vaterstetten bei München	98.8	91.1
Erste Corporate Finance, a.s.	Prague	99.0	100.0
EUROPEAN INVESTMENT FUND	Luxembourg	0.1	0.1
EWU Wohnbau Unternehmensbeteiligungs-Aktiengesellschaft	St. Pölten	12.8	20.2
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA	Bucharest	8.9	9.5
Garantiqa Hitelgarancia Zrt.	Budapest	1.8	1.8
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Mödling	12.2	19.2
Gemeinnützige Bau- und Siedlungsgenossenschaft "Waldviertel" registrierte Genossenschaft mit beschränkter Haftung	Raabs an der Thaya	0.0	0.0
Gemeinnützige Wohn- und Siedlungsgesellschaft Schönere Zukunft, Gesellschaft m.b.H.	Vienna	15.0	15.0
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	12.7	20.0
GWG - Gemeinnützige Wohnungsgesellschaft der Stadt Linz GmbH	Linz	5.0	5.0
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5	7.5
GZ-Finanz Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT S-Immobilienmanagement GesmbH	Vienna	100.0	100.0
Immorent-Hackinger Grundverwertungsgesellschaft m.b.H.	Vienna	10.0	10.0
KERES-Immorent Immobilienleasing GmbH	Vienna	25.0	25.0
Kisvallalkozas-fejlesztö Penzügyi Zrt.	Budapest	1.0	1.0
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	75.0	75.0
LV Holding GmbH	Linz	35.4	35.4
MIGRA Gemeinnützige Wohnungsges.m.b.H.	Vienna	19.8	19.8
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0	40.0
O.Ö. Leasing für Gebietskörperschaften Ges.m.b.H.	Linz	33.3	33.3
O.Ö. Leasing für öffentliche Bauten Gesellschaft m.b.H.	Linz	33.3	33.3
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Kautzen	5.6	5.6
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.	Bucharest	18.8	18.8
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Belgrade	15.4	15.6
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Schwaz	25.1	25.6
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Kitzbühel	2.5	2.5
PSA Payment Services Austria GmbH	Lofer	18.5	18.5
S IMMOKO Holding GesmbH	Oetz	0.0	0.0
S IMMOKO Leasing GesmbH	Westendorf	0.0	0.0
Salzburger Kreditgarantiegesellschaft m.b.H.	Vienna	18.2	18.2
Seilbahnleasing GmbH	Maiersch	33.3	33.3
Sparkasse (Holdings) Malta Ltd.	Zürs	0.0	0.0
Sparkasse Niederösterreich Mitte West Beteiligungsgesellschaft m.b.H.	Bucharest	0.0	0.0
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.(CENTRAL DEPOZITORY & CLEARING COMPANY Inc.)	Chişinău	0.1	0.1
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H.	Murau	33.3	26.7
Tiroler Landesprojekte Grundverwertungs GmbH in Liqu.	Bregenz	33.3	33.3
TKL II. Grundverwertungsgesellschaft m.b.H.	Budapest	33.3	26.7
TKL VI Grundverwertungsgesellschaft m.b.H.	Bratislava	28.2	28.2
TKL VII Grundverwertungsgesellschaft m.b.H.	Amsterdam	28.4	28.4
Trziste novca d.d.	Villach	8.6	8.6
UNDA Grundstückvermietungs Gesellschaft m.b.H.	Graz	25.0	25.0
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Linz	0.0	0.0
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Werndorf	14.3	14.4
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Werndorf	0.0	0.0
Other			
"Die Kärntner" - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.0	25.0
"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.0	25.0
"Die Kärntner"-BTWF-Beteiligungs- und Wirtschaftsförderungsgesellschaft für die Stadt St. Veit/Glan Gesellschaft m.b.H.	St. Veit an der Glan	25.0	25.0
"Die Kärntner"-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg	25.0	25.0
"Gasthof Löwen" Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.0	0.0
"Photovoltaik-Gemeinschaftsanlage" der Marktgemeinde Wolfurt	Wolfurt	0.0	0.0
"SIMM" Liegenschaftsverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
"S-PREMIUM" Drustvo sa ogranicenom odgovornoscu za posredovanje i zastupanje u osiguranju d.o.o. Sarajevo	Sarajevo	24.6	25.0
"TBG" Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	18.7	1.5
"THG" Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.5	1.5
AB Banka, a.s. v likvidaci	Mladá Boleslav	4.4	4.5
Achenseebahn-Aktiengesellschaft	Jenbach	0.0	0.0
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.0	0.0
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.2	0.2
Agrargemeinschaft Kirchschlag	Kirchschlag	0.0	0.0
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU DELOVA ZA MOTORE GARANT, FUTOG - U STECAJU	Futog	6.2	6.2
ALBA Services GmbH	Vienna	0.0	50.0

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
Alpbacher Bergbahn Gesellschaft m.b.H.	Alpbach	0.0	0.0
ALPENDORF BERGBAHNEN AG	St. Johann, Pongau	0.0	0.0
AREALIS Liegenschaftsmanagement GmbH	Vienna	50.0	50.0
Argentum Immobilienverwertungs Ges.m.b.H.	Linz	39.2	39.2
ÄRZTEHAUS GMUNDEN IMMOBILIEN GmbH	Bad Wimsbach-Neydharting	0.0	0.0
AS LEASING Gesellschaft m.b.H.	Linz	39.2	39.2
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	39.2	39.2
Austrian Reporting Services GmbH	Vienna	14.3	14.3
AWEKA-Beteiligungsgesellschaft m.b.H.	Graz	25.0	25.0
aws Gründerfonds Beteiligungs GmbH & Co KG	Vienna	0.0	5.1
Bäuerliches Blockheizkraftwerk reg. Gen.m.b.H.	Kautzen	0.0	0.0
BCR Asigurari de Viata Vienna Insurance Group SA	Bucharest	5.1	5.5
Beogradska Berza, Akcionarsko Drustvo Beograd	Belgrade	12.6	12.6
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.0	0.0
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.0	0.0
Bergbahn Lofer GmbH	Lofer	7.9	7.9
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.0	0.0
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.0	0.0
BGM - Erste Group Immorent GmbH & Co KG	Vienna	0.0	0.0
Biogenrohstoffgenossenschaft Kamptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Maiersch	0.0	0.0
Biomasse Heizwerk Zürs GmbH	Zürs	0.0	0.0
Biroul de Credit SA	Bucharest	18.2	19.4
Biroul de Credit SRL	Chişinău	6.3	6.7
Brauerei Murau eGen	Murau	0.6	0.6
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.0	0.0
Budapesti Értéktozsde Zártköruen Muködo Részvénytársaság	Budapest	2.0	2.0
Burza cennych papierov v Bratislave, a.s.	Bratislava	3.9	3.9
Business Capital for Romania - Opportunity Fund Coöperatief UA	Amsterdam	77.4	77.4
Camelot Informatik und Consulting Gesellschaft.m.b.H.	Villach	3.6	3.6
CAMPUS 02 Fachhochschule der Wirtschaft GmbH	Graz	3.8	3.8
capital300 EuVECA GmbH & Co KG	Linz	0.0	3.2
Cargo-Center-Graz Betriebsgesellschaft m.b.H.	Werndorf	1.6	1.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Werndorf	1.6	1.6
Carlyle Europe Partners,L.P. (in Liquidation)	Vale	0.6	0.6
Casa de Compensare Bucuresti SA	Bucharest	0.3	0.4
Casa Romana de Compensatie Sibiu	Sibiu	0.4	0.4
CBCB-Czech Banking Credit Bureau, a.s.	Prague	19.8	20.0
CEESEG Aktiengesellschaft	Vienna	11.8	11.8
CRNOMEREC CENTAR D.O.O. ZA PROJEKTIRANJE GRAĐENJE I NADZOR	Zagreb	0.0	0.0
D.C. Travel d.o.o Beograd	Belgrade	69.3	69.3
Dachstein Tourismus AG	Gosau	0.0	0.0
DC TRAVEL d.o.o. putnicka agancija	Zagreb	69.3	69.3
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.0	25.0
DINESIA a.s.	Prague	99.0	100.0
Dolomitencenter Verwaltungs GmbH	Lienz	50.0	50.0
Dolomitengolf Osttirol GmbH	Lavant	0.0	0.0
Dornbirner Seilbahn GmbH	Dornbirn	0.0	0.0
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Belgrade	0.8	0.8
EBB-Delta Holding GmbH	Vienna	100.0	100.0
EBB-Zeta Holding GmbH in Liqu.	Vienna	100.0	100.0
EBSPK-Handelsgesellschaft m.b.H. in Liqu.	Vienna	31.1	31.1
EBV-Leasing Gesellschaft m.b.H.	Vienna	51.0	51.0
EC Energie Center Lipizzanerheimat GmbH	Bärnbach	0.0	0.0
Egg Investment GmbH	Egg	0.0	0.0
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf am Kamp	0.0	0.0
Einlagensicherung AUSTRIA Ges.m.b.H.	Vienna	1.4	0.5
Einlagensicherung der Banken und Bankiers GmbH	Vienna	0.2	0.1
ELAG Immobilien AG	Linz	1.9	1.5
Energie AG Oberösterreich	Linz	0.2	0.2
Erste Campus Mobilien GmbH	Vienna	100.0	100.0
ERSTE Immobilien Alpha "WE-Objekte" GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha APS 85 GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Baufeld Omega GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Brünner Straße 124 Liegenschaftsverwaltung GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Eggenberger Gürtel GmbH & Co KG	Graz	0.0	0.0
ERSTE Immobilien Alpha GmbH	Vienna	74.3	68.7
ERSTE Immobilien Alpha Kerensstraße GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Lastenstraße GmbH & Co KG	Vienna	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
ERSTE Immobilien Alpha Monte Laa GmbH & Co. KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Paragonstraße GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Ulmgasse GmbH & Co. KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha W175 GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Vienna	0.1	0.1
ERSTE Immobilien Beta GmbH	Vienna	74.3	68.7
ERSTE Immobilien Beta GS 131 GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Gamma GmbH	Vienna	74.3	68.7
Erste Immobilien Gamma Hilde-Spiel-Gasse GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Gamma Seepark Campus West GmbH & Co KG	Vienna	0.0	0.0
FINAG D.D. INDUSTRIJA GRADJEVNOG MATERIJALA BANKRUPTCY	Garesnica	18.2	18.2
Finanzpartner GmbH	Vienna	50.0	51.1
Freizeitpark Zell GmbH	Zell am Ziller	0.0	0.0
Freizeitzentrum Zillertal GmbH	Fügen	0.0	0.0
Fund of Excellence Förderungs GmbH	Vienna	49.0	49.0
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.0	0.0
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs a. d. Thaya	0.0	0.0
Gasteiner Bergbahnen Aktiengesellschaft	Bad Hofgastein	13.4	13.4
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.	Vienna	1.0	1.0
GEMDAT OÖ GmbH	Linz	10.6	10.6
GEMDAT OÖ GmbH & Co KG	Linz	11.8	11.8
Gerlitzen - Kanzelbahn - Touristik Gesellschaft m.b.H.&Co KG	Sattendorf	0.0	0.0
Gewerbe- und Dienstleistungspark der Stadtgemeinde Bad Radkersburg Kommanditgesellschaft	Bad Radkersburg	12.5	12.5
Gladiator Aircraft Management Limited	Pieta	100.0	100.0
Golf Ressort Kremstal GmbH	Kematen a.d. Krems	0.0	0.0
Golf Ressort Kremstal GmbH & Co. KG.	Kematen a.d. Krems	0.0	0.0
Golfclub Bludenz-Braz GmbH	Bludenz-Braz	0.0	0.0
Golfclub Brand GmbH	Brand bei Bludenz	0.0	0.0
Golfclub Pfarrkirchen im Mühlviertel GesmbH	Pfarrkirchen im Mühlkreis	0.2	0.2
Golfplatz Hohe Salve - Brixental Errichtergesellschaft m.b.H. & Co KG	Westendorf	0.0	0.0
Golfresort Haugschlag GmbH & Co KG	Litschau	0.0	0.0
Graben 21 Liegenschaftsverwaltung GmbH	Vienna	100.0	100.0
Großarler Bergbahnen Gesellschaft mit beschränkter Haftung & Co. KG.	Großarl	0.5	0.5
GW St. Pölten Integrative Betriebe GmbH	St.Pölten-Hart	0.0	0.0
GXT Vermögensverwaltung GmbH & Co KG	Vienna	0.0	0.0
HAPIMAG AG	Baar	0.0	0.0
Harkin Limited	Dublin	100.0	100.0
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus im Ennstal	0.4	0.4
HDL Fiecht GmbH	Vomp	0.0	0.0
Health and Fitness International Holdings N.V.	Willemstad	3.5	3.5
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.5	4.5
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.1	4.1
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.4	0.4
HOLDING RUDARSKO METALURŠKO HEMIJSKI KOMBINAT TREPCA AD ZVECAN - U RESTRUKTUIRANJU	Zvecan	0.0	0.0
Hrvatski olimpijski centar Bjelolosica d.o.o. (Kroatisches Olympiazentrum) in bankruptcy	Jesenak	1.2	1.2
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.3	7.3
HV-Veranstaltungsservice GmbH	St. Lorenzen am Wechsel	100.0	100.0
ILGES - Liegenschaftsverwaltung G.m.b.H.	Rohrbach	40.0	40.0
IMMO Primum GmbH	St. Pölten	0.0	0.0
Informativni centar Bjelovar d.o.o.	Bjelovar	1.4	1.4
Investicniweb s.r.o.	Prague	99.0	100.0
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	5.2	5.2
JUGOALAT-JAL AD NOVI SAD	Novi Sad	5.0	5.0
Kaiser-Ebersdorfer Straße 8 GmbH & Co KG	Vienna	0.0	0.0
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.0	0.0
Kapruner Promotion und Lifte GmbH	Kaprun	6.5	6.5
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.0	0.0
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Vienna	100.0	100.0
Kommanditgesellschaft MS "SANTA LORENA" Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
Kommanditgesellschaft MS "SANTA LUCIANA" Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
KOOPERATIVA poistovna, a.s. Vienna Insurance Group	Bratislava	0.0	1.5
Kooperativa pojistovna, a.s. Vienna Insurance Group	Prague	0.0	1.6
Kreco Realitäten Aktiengesellschaft	Vienna	19.8	19.8
'KULSKI ŠTOFOVI' FABRIKA ZA PROIZVODNJU VUNENIH TKANINA I PREDIVA AKCIONARSKO DRUŠTVO IZ KULE - U STECAJU	Kula	6.1	6.1
ländleticket marketing gmbh	Dornbirn	0.0	0.0
Landzeit Restaurant Angath GmbH	St. Valentin	0.0	0.0
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.0	0.0
Lantech Innovationszentrum GesmbH	Landeck	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.0	0.0
Lebensquell Bad Zell Gesundheits- und Wellnesszentrum GmbH & Co KG	Bad Zell	0.0	0.0
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.0	0.0
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.1	1.1
LOCO 597 Investment GmbH	Egg	0.0	0.0
Luitpoldpark-Hotel Betriebs- und Vermietungsgesellschaft mbH in Liquidation	Füssen	75.0	75.0
M Schön Wohnen Immorent GmbH	Vienna	100.0	100.0
Maissauer Amethyst GmbH	Maissau	0.0	0.0
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA	Bacčka Palanka	0.6	5.2
MasterCard Incorporated	Wilmington	0.0	0.0
Mayer Property Alpha d.o.o.	Zagreb	100.0	100.0
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.0	0.0
MCG Graz e.gen.	Graz	1.4	1.4
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.0	0.0
MPC Rendite-Fonds Leben plus spezial III GmbH & Co KG	Quickborn	0.0	0.0
MUNDO FM & S GmbH	Vienna	100.0	100.0
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.1	3.1
Musikkonservatoriumserrichtungs- und vermietungsgesellschaft m.b.H.	St. Pölten	0.0	0.0
Natursee und Freizeitpark Wechselland GmbH	Pinggau	0.4	0.4
Neo Investment B.V.	Amsterdam	0.0	0.0
Neubruck Immobilien GmbH	St. Anton, Jeßnitz	0.0	0.0
Neuhofner Bauträger GmbH	Neuhofen, Krems	0.0	0.0
Newstin, a.s.	Prague	17.6	17.8
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	5.6	5.6
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen AG	Neukirchen	0.0	0.0
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.0	0.0
Öhlknecht-Hof Errichtungs- und Verwaltungsgesellschaft m.b.H.	Horn	0.0	0.0
ÖKO-Heizkraftwerk Pöllau GmbH	Pöllau	0.0	0.0
ÖKO-Heizkraftwerk Pöllau GmbH & Co KG	Pöllau	0.0	0.0
Old Byr Holding ehf.	Reykjavik	1.5	1.5
Omniasig Vienna Insurance Group SA	Bucharest	0.1	0.1
OÖ HightechFonds GmbH	Linz	7.8	7.8
Ortswärme Fügen GmbH	Fügen	0.0	0.0
Österreichische Wertpapierdaten Service GmbH	Vienna	32.7	32.7
Osttiroler Wirtschaftspark GesmbH	Lienz	0.0	0.0
PANORAMABAHN KITZBÜHELER-ALPEN GMBH	Hollersbach	0.0	0.0
Planai - Hochwurzen - Bahnen Gesellschaft m.b.H.	Schladming	0.7	0.7
Planung und Errichtung von Kleinkraftwerken Aktiengesellschaft	Vienna	98.9	98.9
POSLOVNO UDRUŽENJE DAVAOCA LIZINGA "ALCS" BEOGRAD	Belgrade	8.3	8.3
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.6	2.6
Prvni certifikacni autorita, a.s.	Prague	23.0	23.3
Radio Osttirol GesmbH	Lienz	0.0	0.0
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.0	0.0
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.0	4.0
Realitni spolecnost Ceske sporitelny, a.s.	Prague	99.0	100.0
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.3	3.3
RIBA D.D. BANKRUPTCY	Garesnica	17.1	17.1
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.0	0.0
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A.	Amsterdam	77.4	77.4
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.0	25.0
RVG Czech, s.r.o.	Prague	19.8	100.0
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.0	0.0
S Rail Lease s.r.o.	Bratislava	100.0	100.0
S Servis, s.r.o.	Znojmo	99.0	100.0
SAINETE GmbH & Co KG	Vienna	100.0	100.0
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.0	50.0
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung	Salzburg	2.0	2.0
S-AMC1 DOOEL Skopje	Skopje	24.9	24.9
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.0	0.0
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-Commerz Beratungs- und Handelsgesesellschaft m.b.H.	Neunkirchen	0.0	0.0
SEG Sport Event GmbH	Hohenems	0.0	0.0
Seniorenresidenz "Am Steinberg" GmbH	Graz	25.0	25.0
S-Finanzservice Gesellschaft m.b.H.	Baden	0.0	0.0
SILO DREI Komplementärgesellschaft m.b.H.	Vienna	0.0	49.0
SILO II Komplementärgesellschaft m.b.H.	Vienna	0.0	49.0
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.0	0.0
SK 1 Properties s.r.o.	Bratislava	0.0	0.0
SK 2 Properties s.r.o.	Bratislava	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co, KG	Unken	0.0	0.0
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.2	2.2
SM-Immobiliengesellschaft m.b.H.	Melk	0.0	0.0
SOCIETATEA DE TRANSFER DE FONDURI SI DECONTARI TRANSFOND SA	Bucharest	3.0	3.2
Society for Worldwide Interbank Financial Telecommunication scrl	La Hulpe	0.2	0.3
Sparkasse Amstetten Service- und Verwaltungsgesellschaft m. b. H.	Amstetten	0.0	0.0
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Bludenz Immoblienverwaltungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.0	0.0
Sparkasse Lambach Versicherungsmakler GmbH	Lambach	0.0	0.0
Sparkasse Niederösterreich Mitte West Stadtentwicklungs GmbH	St. Pölten	0.0	0.0
Sparkassen - Betriebsgesellschaft mbH.	Linz	39.1	39.1
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.0	0.0
Sparkassen Beteiligungs GmbH & Co KG	Vienna	7.8	8.0
Sparkassen Facility Management GmbH	Innsbruck	75.0	75.0
Sparkassengarage Imst Errichtungs- und Betriebs GmbH	Imst	0.0	0.0
Sparkassengarage Imst Errichtungs- und Betriebs GmbH & Co KG	Imst	0.0	0.0
SPES GmbH & Co. KG	Schlierbach	0.0	0.0
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.0	0.0
SPKR Liegenschaftsverwertungs GmbH	Reutte	0.0	0.0
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	12.9	12.9
SPRON ehf.	Reykjavik	4.9	4.9
Stadtgemeinde Weiz - Wirtschaftsentwicklung KG	Weiz	0.0	0.0
Stadtmarketing-Ternitz Gmbh	Ternitz	0.0	0.0
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.2	7.2
Stoderzinken - Liftgesellschaft m.b.H. & Co. KG.	Gröbming	0.4	0.4
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H.	Vienna	10.7	10.7
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	100.0	100.0
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.0	0.0
Tauern SPA World Betriebs- Gmbh & Co KG	Kaprun	11.0	11.0
Tauern SPA World Betriebs-GmbH	Kaprun	12.2	12.2
Tauern SPA World Errichtungs- GmbH & Co KG	Kaprun	11.0	11.0
Tauern SPA World Errichtungs-GmbH	Kaprun	12.2	12.2
TAUROS Capital Investment GmbH & Co KG	Vienna	0.0	48.1
TAUROS Capital Management GmbH	Vienna	0.0	49.0
TDZ Technologie- und Dienstleistungszentrum Donau-Böhmerwald Bezirk Rohrbach GmbH.	Neufelden	1.0	1.0
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Vienna	0.1	0.1
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.0	0.0
TECHNOLOGIE- und GRÜNDERPARK ROSENTAL GmbH	Rosental,Kainach	0.3	0.3
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.0	0.0
Technologiezentrum Deutschlandsberg GmbH	Deutschlandsberg	7.3	7.3
Technologiezentrum Freistadt-Mühlviertel-Errichtungs- und Betriebsgesellschaft m.b.H.	Freistadt	1.5	1.5
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.0	0.0
Technologiezentrum Perg GmbH	Perg	1.2	1.2
Technologiezentrum Salzkammergut GmbH	Gmunden	0.6	0.6
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH	Attnang-Puchheim	0.0	0.0
Techno-Z Ried Technologiezentrum GmbH	Ried im Innkreis	0.0	0.0
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen	7.3	7.3
TGZ Technologie- und Gründerzentrum Schärding GmbH	Schärding	3.9	3.9
Thermalquelle Loipersdorf Gesellschaft m.b.H. & Co KG	Loipersdorf	0.0	0.0
Therme Wien Ges.m.b.H.	Vienna	15.0	15.3
Therme Wien GmbH & Co KG	Vienna	15.0	15.3
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.0	0.0
Tiroler Zugspitzbahn Gesellschaft m.b.H.	Ehrwald	0.0	0.0
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.0	0.0
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.0	0.0
TPK-18 Sp. z o.o.	Warsaw	100.0	100.0
Transformovany fond penzijniho pripojisteni se statnim prispevkem Ceska sporitelna - penzijni spolecnost, a.s.	Prague	0.0	0.0
TSG EDV-Terminal-Service Ges.m.b.H.	Vienna	0.1	0.1
UNION Vienna Insurance Group Biztosito Zrt.	Budapest	0.0	1.2
Unzmarkter Kleinkraftwerk-Aktiengesellschaft	Vienna	99.3	99.3
Valtecia Achizitii S.R.L.	Bucharest	100.0	100.0
Vasudvar Hotel Kft. v.a.	Budapest	100.0	100.0
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Vienna	25.6	25.6
VISA INC.	San Francisco	0.0	0.0
VIVEA Bad Schönau GmbH	Bad Schönau	0.0	0.0
VMG Versicherungsmakler GmbH	Vienna	5.0	5.0
Waldviertler Leasing s.r.o.	Jindřichuův Hradec	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 17	Dec 18
Wassergenossenschaft Mayrhofen	Mayrhofen	0.0	0.0
WE.TRADE INNOVATION DESIGNATED ACTIVITY COMPANY	Dublin	0.0	8.5
WEB Windenergie AG	Pfaffenschlag	0.0	0.0
Weißsee-Gletscherwelt GmbH	Uttendorf	0.0	0.0
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	39.2	39.2
WG PROJEKTIRANJE, investiranje in inženiring d.o.o.	Ljubljana	0.0	100.0
Wien 3420 Aspern Development AG	Vienna	24.5	24.5
Wiener osiguranje Vienna Insurance Group dionicko društvo za osiguranje	Zagreb	0.0	1.1
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group	Vienna	0.0	2.2
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.0	0.0
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	2.0	2.0
WW Wohnpark Wehlistraße GmbH	Vienna	0.0	100.0
Zagreb Stock Exchange, Inc.	Zagreb	2.3	2.3
Zelina Centar d.o.o.	Saint Helena	100.0	100.0
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.0	0.0

Additional information

GLOSSARY

Book value per share
Equity (attributable to owners of the parent) divided by the number of outstanding shares at the end of the period.

Cash return on equity (cash RoE)
Net profit for the period attributable to the owners of the parent less dividends for Additional Tier 1 capital (AT1), adjusted for non-cash items such as goodwill amortisation and amortisation of customer relationship as a percentage of the average equity attributable to the owners of the parent. The average is calculated on the basis of final quarterly values.

Cash earnings per share
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1), adjusted for non-cash items such as goodwill impairment and amortisation of customer relationship divided by the weighted average number of outstanding shares.

CEE (Central and Eastern Europe)
Abbreviation for the economic area Central and Eastern Europe. Includes the new EU member states of the enlargement rounds 2004 and 2007 as well as the successor states of Yugoslavia and the Soviet Union as well as Albania.

CET1
Common equity Tier 1.

CET1 ratio
Common equity Tier 1 as a percentage of the total risk (according to CRR).

CRR
Capital Requirements Regulation: one of the two legal acts containing the new Capital Requirements.

Cost/income ratio
General administrative expenses or operating expenses as a percentage of operating income.

Dividend yield
Dividend distribution of the financial year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1), divided by the weighted average number of outstanding shares.

Interest-bearing assets
Total assets less cash and cash balances, derivatives – held for trading, hedge accounting derivatives, property and equipment, investment properties, intangible assets, current and deferred tax assets, assets held for sale and other assets.

Loan to deposit ratio
Loans and receivables to customers (net) in relation to deposits from customers

Miscellaneous assets
The total of hedge accounting derivatives, property and equipment, investment properties, investments in associates and joint ventures associates, current and deferred tax assets, assets held for sale and other assets,

Miscellaneous liabilities
The total of other financial liabilities at fair value through profit or loss, other financial liabilities at amortised cost, hedge accounting derivatives, changes in fair value of portfolio hedged items, provisions, current and deferred tax liabilities, liabilities associated with assets held for sale and other liabilities.

Net interest margin
Net interest income as a percentage of average interest-bearing assets. The average is calculated on the basis of quarterly values.

Operating expenses (general administrative expenses)
The total of personnel expenses, other administrative expenses and depreciation and amortisation.

Operating income
Total of net interest income, net fee and commission income, dividend income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments and rental income from investment properties & other operating leases.

Operating result
Operating income less operating expenses.

Own funds
Own funds according to CRR consist of Common equity Tier 1 (CET1), Additional Tier 1 capital (AT1) and the supplementary capital (T2).

Own funds ratio
Total of own funds as a percentage of the total risk (according to CRR).

Price/earnings ratio
Ratio between closing price of the financial year and earnings per share of the financial year.

Market capitalisation
Total value of a company which results from multiplying the share price by the number of shares outstanding (share capital).

Non-performing exposure (NPE) collateralisation ratio
Collateral for non-performing credit risk exposure as a percentage of non-performing credit risk exposure.

Non-performing exposure (NPE) coverage ratio
Credit risk allowances for credit risk exposure (all allowances in scope of IFRS 9 and provisions for other commitments) as a percentage of non-performing credit risk exposure.

Non-performing exposure (NPE) ratio
Non-performing credit risk exposure as a percentage of total credit risk exposure.

Non-performing loans (NPL) collateralisation ratio
Collateral for non-performing loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) coverage ratio
Credit risk allowances for loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) ratio
Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

Return on equity (RoE)
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1) as a percentage of the average equity attributable to the owners of the parent. The average is calculated on the basis of final quarterly figures.

Return on equity excluding intangible assets (ROTE)
Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1) as a percentage of average equity attributable to owners of the parent and adjusted for intangible assets. The average is calculated on the basis of quarterly final values.

Risk Appetite Statement (RAS)
The RAS is a strategic document, which concludes the maximum risk an organization is willing to take in order to reach any given target.

Risk categories
Risk categories classify the risk exposures of Erste Group based on the internal ratings of Erste Group. There exist three risk categories for performing risk exposures and one risk category for non-performing risk exposures.

Risk category – low risk
Typically regional customers with well-established and rather long-standing relationships with Erste Group or large, internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

Risk category – management attention
Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with possible payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Risk category – substandard
The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Risk category – non-performing
One or more of the default criteria under Article 178 of the CRR are met: among others, full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. Erste Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.

Share capital
Total equity attributable to owners of the parent subscribed by the shareholders.

Tax ratio
Taxes on income as a percentage of pre-tax profit from continuing operations.

Texas ratio
Total capital according to IFRS dividends for Additional Tier 1 capital (AT1), and intangible assets plus allowances for loans and advances to customers as a percentage of non-performing loans.

T 1 ratio
Tier 1 as a percentage of the total risk (according to CRR).

Total risk (risk-weighted assets, RWA)
Includes credit, market and operational risk (according to CRR).

Total shareholder return
Performance of an investment in Erste Group Bank AG shares within one year including all distributions, such as dividends, as a percentage of the share price at the end of the previous year.

ABBREVIATIONS

ABA	Austrian Banking Act
AC	Amortized cost
ACC	Austrian Commercial Code
AFS	Available for sale
ALM	Asset Liability Management
ALCO	Asset Liability Committee
AMA	Advanced Measurement Approach
AT1	Additional Tier 1
BCR	Banca Comercială Română S.A.
BSM & LCC	Balance sheet management & Local Corporate Center
CBCR	Country-by-Country-Reporting
CCF	Credit Conversion Factor
CEE	Central and Eastern Europe
CGU	Cash-Generating Unit
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CRO	Chief Risk Officer
CSAS	Česká spořitelna, a.s.
CVA	Credit Value Adjustments
DIP	Debt Issuance-Programme
DVA	Debit Value Adjustment
EBA	European Banking Authority
EBC	Erste Bank Croatia
EBH	Erste Bank Hungary Zrt.
EBOe	Erste Bank Oesterreich
ECL	Expected Credit Loss
ECJ	European Court of Justice
EIR	Effective interest rate
ERM	Enterprise wide Risk Management
FVO	Fair value option-designated at fair value
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
GDPR	General Data Protection Regulation
G-SII	Global Systemic Important Institution
GLMRM	Group Liquidity and Market Risk Management
HFT	Held for trading
HTM	Held to maturity
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
LGD	Loss Given Default
L&R	Loans and receivables
LT PD	Lifetime Probability of Default
MDA	Maximum distributable amount
OCI	Other comprehensive income
O-SII	Other Systemic Important Institution
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
P&L	Profit or loss
PD	Probability of Default
POCI	Purchased or originated credit impaired
RAS	Risk Appetite Statement
RTS	Regulatory Technical Standards
RW	Risk weight
RWA	Risk Weighted Assets
SICR	Significant increase in credit risk
SLSP	Slovenská sporiteľňa
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
T1	Tier 1
T2	Tier 2
VAR	Value at Risk

Management board

Andreas Treichl mp, Chairman	**Peter Bosek mp, Member**
Petr Brávek mp, Member	**Willibald Cernko mp, Member**
Gernot Mittendorfer mp, Member	**Jozef Síkela mp, Member**

Vienna, 28 February 2019

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

AUDITOR'S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

Sparkassen-Prüfungsverband (Prüfungsstelle) and PwC Wirtschaftsprüfung GmbH, Vienna, – hereinafter referred to as "we" – have audited the consolidated financial statements of Erste Group Bank AG, Vienna, and its subsidiaries (the Group), which comprise the Group balance sheet as at December 31, 2018, the Group statement of comprehensive income, the Group statement of changes in total equity and the Group cash flow statement for the fiscal year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at December 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 59a Austrian Banking Act (BWG) in conjunction with Section 245a Austrian Commercial Code (UGB).

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report.

We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles, the provisions of the Austrian Banking Act and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:
- Description
- Audit approach
- Reference to related disclosures

1. Initial application of new accounting standards for Financial Instruments (IFRS 9)

Description

As of January 1, 2018, the new accounting principles for financial assets and financial liabilities (Financial Instruments - IFRS 9) were to be initially applied. IFRS 9 was adopted on 24 July, 2014 by the IASB, and endorsed by the European Union on 22 November, 2016. In the course of the initial application as of January 1, 2018, the recognition and measurement of each financial instrument were to be determined retrospectively at the time of acquisition. Irrespectivly, Erste Group has made use of the option of not restating the comparative period 2017. The consolidated financial statements as at 31 December, 2017, included financial assets of EUR 214 billion and financial liabilities of EUR 198 billion.

As part of the transition from IAS 39 to IFRS 9, these financial instruments had to be analysed in order to recognise and measure them in accordance with IFRS 9.

The implementation of IFRS 9 required considerable interpretation and judgement. Consequently, Erste Group Bank AG engaged in a multi-year implementation project. Notably, the project comprised the interpretation of the new regulations, the development of the policies for implementing the accounting and valuation rules, the uniform implementation of the new regulations throughout the Group, the analysis of historical data as well as the implementation of changes in the accounting systems. This mainly concerned the classification and subsequent measurement of financial assets measured at amortized cost (loss allowances).

With respect to classification, business models were analyzed, the criteria for classifying the financial assets were determined on the basis of historical data, and group-wide procedures were established. This involved management making judgements, assumptions and estimates.

With respect to subsequent measurement, the rules for determining the required level of expected credit losses to be recognized for financial assets measured at amortized cost as well as statistical models for determining these expected credit loss were developed and implemented. These required discretionary judgements, assumptions and estimates to be made by management based on extensive analysis and statistical methods.

Further more, the effects on other line items in the consolidated financial statements and their measurement were evaluated and taken into account accordingly.

Due to its significance for the consolidated financial statements, we identified this area to be a key audit matter.

Audit approach

To assess the appropriateness of the implementation of the new accounting policies for financial instruments, we

- continuously familiarized ourselves with the project during the implementation of IFRS 9 by Erste Group Bank AG;
- examined the implementation of the new accounting principles from the project documents up to the accounting manual;
- assessed the compliance of the accounting manual of Erste Group Bank AG with IFRS 9;
- evaluated the functional specifications and selected technical implementation concepts in terms of their compliance with the accounting manual and, on a sample basis, tested them to having been implemented in the IT systems conformingly;
- assessed the consistent application of the new accounting standards throughout the Group;
- tested, on a sample basis, the new classification of financial instruments to be in accordance with the accounting manual of Erste Group Bank AG;
- tested, on a sample basis, the new measurement of financial instruments to be in accordance with the accounting manual;
- examined the fundamentals of management's judgments, assumptions and estimates, and assessed their reasonableness.
- followed up on the disclosure of the effects of moving to IFRS 9 in the consolidated financial statements in terms of its completeness and transparency.

With regard to the classification of financial assets, we in particular

- evaluated, with a critical mindset, and tested, on a sample basis, the criteria for assessing whether contractual cash flows of financial assets are solely interest and principal payments (SPPI) and the judgements involved;
- critically assessed the appropriateness of the parameters used in the quantitative tests performed in order to assess SPPI criteria and a reviewed the results of the calculations on a sample basis.

With respect to the determination of expected credit losses, we in particular

- evaluated and, on a sample basis, tested the methods applied to identify financial assets with a significant increase in credit risk (SICR) and defaulted financial assets and their consistent application;
- evaluated the internal control system established in order to monitor the development and review of models (Model Governance and Validation) with respect to its ability to ensure methods to be correctly applied in the expected credit loss calculation models;
- read and critically assessed internal audit reports, validation reports and reports on reviews performed by internal specialists;
- evaluated compliance of the parameters which are key in the calculation of expected credit losses (probability of default, loss given default, exposure at default, forward looking information) with the requirements of IFRS 9;
- performed analytical procedures in order to assess the appropriateness of the expected credit losses determined.

In addition, we regularly reported to the Management Board and the Audit Committee on the results of our audit procedures and discussed these in detail.

With respect to further audit procedures carried out regarding the determination of expected credit losses, we refer to the key audit matter "2. Loss allowances for Loans and Advances to Customers (Expected Credit Losses)".

Reference to related disclosures

With regard to the new accounting principles, we refer to management’s disclosures in section B.c) Accounting and Measurement Methods - IFRS 9 Financial Instruments in the Notes. This section also presents the effects of the transition to IFRS 9. For important judgements, assumptions and estimates, please refer to management’s disclosures in section B.d) Significant accounting judgements, assumptions and estimates.

2. Loss allowances for Loans and Advances to Customers (Expected Credit Losses)

Description

Loss allowances represent management's best estimate of the credit losses expected with respect to the loan portfolio at balance sheet date. As at 31 December, 2018, Erste Group Bank AG, Vienna, set up impairment allowances in the amount of EUR 3.3 billion for a volume of loans at amortised cost of EUR 147 billion. Due to the underlying assumptions and estimations, the determination of expected credit losses is inherently subject to substantial judgement applied by management.

Erste Group has implemented internal guidelines and specific processes to identify significant increases in credit risk and loss events. These processes rely significantly on quantitative criteria and involve management judgement.

To determine the level of loss allowances using scenario-based discounted cash flow methods as required by IFRS 9 the following methods are applied:

_ For non-defaulted loans loss allowances are generally collectively measured at an amount equal to 12-month expected credit loss. If a significant increase in credit risk has occurred loss allowances are measured as lifetime expected credit losses. For defaulted loans with a comparable risk profile, that are considered not to be individually significant, expected credit losses are collectively assessed as well.
_ The collectively measured loss allowances are calculated considering the probability of default, the impact of forward looking information and parameters that reflect the expected cash flows as well as the expected proceeds from the realization of collateral. The applied parameters are estimated based on statistical models.
_ For defaulted loans considered to be significant at customer level, loss allowances are determined on a case-by-case basis. These loss allowances are calculated considering scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral (where applicable). This process involves significant judgement and management estimates.

The models used for determining loss allowances are specific to the types of loan portfolios. There are country-specific features both with regard to products and economic environment that are relevant to the respective loss estimate leading to increased complexity of models and input factors.

Due to the uncertainty of estimates in the determination of expected credit losses as well as to the amounts involved, we identified this area to be a key audit matter.

Audit approach

To assess the appropriateness of the expected credit losses, we:

_ updated our understanding of the Expected Credit Loss calculation methodology applied by EGB based on policies, documentation and interviews and re-assessed its compliance with the requirements of IFRS 9;
_ evaluated control activities in credit risk management and lending business processes and tested key controls, notably with respect to the approval of loans, ongoing monitoring and early warning;
_ evaluated control activities and tested key controls in the area of rating models and collateral valuation;
_ evaluated model governance and validation processes and critically reviewed the information brought to the attention of the management as well as, using our credit risk modelling experts, the results of back-testing and model validations;
_ assessed the appropriateness and reasonableness of forward-looking information incorporated in the estimates;
_ analysed sensitivities and impacts of IFRS 9 specific model aspects.;
_ evaluated whether key components of ECL calculation are correctly incorporated in the models by performing walkthroughs and reviewing steering tables;
_ tested, on a sample basis the correct stage allocation according to the relevant policies;
_ tested, on a sample basis, whether loss events were identified according to the applicable policies and assessed whether events occurred that significantly affect the borrower's repayment ability with regard to loans and advances. We also tested, on a sample bases, the adequacy of individual loan loss allowances, assessing the presumed scenarios and the expected cash flows estimated by the Group to be received.

Reference to related disclosures

For further details regarding the process of determining loss allowances as well as regarding the design of the ECL models involved we refer to the management's disclosures in the Notes to the consolidated financial statements in section B. significant accounting policies and section 54. Measuring ECL – explanation of inputs and measurement of the Notes.

3. Own issues designated at fair value

Description

In the course of initial application of IFRS 9 as of January 1, 2018, Erste Group Bank AG made use of the option to designate liabilities as measured at fair value through profit or loss in order to eliminate an accounting mismatch. The portion of gains and losses arising from the change in the fair value of these financial liabilities attributable to changes in the credit risk of the liability is recognized in other comprehensive income, and the remaining amount of change in fair value in profit and loss.

As of 31 December, 2018, liabilities with a book value of approx. EUR 14 billion are included in financial liabilities at fair value through profit or loss in the consolidated financial statements of Erste Group Bank AG. The portion of the change in the fair value of liabilities at fair value through profit or loss which is attributable to the change in own credit risk presented in the statement of changes in equity amounts to EUR 505 million (EUR 748 million as at 1.1.2018).

Erste Group Bank AG mainly uses valuation models to determine the fair values of these securitized liabilities and to determine the portion attributable to its own credit risk, as there is no active market for these securities.

In determining the fair values using valuation models, the selection of these valuation models and the input parameters used, as well as the related discretionary decisions of the management, are of vital importance for determining the market values. The measurement of those liabilities is subject to significant estimation uncertainties due to the complexity of individual valuation models and the assumptions made by management regarding the valuation parameters, including estimates for own credit risk.

We have identified this area as a key audit matter due to the material share of the securitized liabilities measured at fair value in the balance sheet total as well as the new designation as measured at fair value and the existing estimation uncertainties.

Audit approach

In order to assess the appropriateness of the fair values of the financial liabilities and the share of the change in own credit risk in the change of these fair values, we

- _ interviewed the staff responsible for valuation, designation in the fair value option and monitoring,
- _ reviewed relevant policies and documentation on the valuation and determination of one's own credit spread, in particular with regard to the valuation process, valuation models and market data,
- _ gained an understanding of the process of determining fair value and determining one's own credit risk,
- _ tested selected key controls related to these processes,
- _ tested, on a sample basis and using our experts, whether appropriate valuation methods have been chosen and applied consistently,
- _ inspected evidence of the presence of an accounting mismatch
- _ critically assessed, using our experts, on a sample basis, the valuation rates used as well as significant model inputs and reperformed valuations.

Reference to related disclosures

With respect to the book values and the amounts of the securitized liabilities measured at fair value in the statement of changes in equity, we refer to the explanations given in management's disclosures in section 42 of the notes. With regard to the description of the valuation methods and the valuation models used, we refer to management's disclosures in section 56.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 59a BWG in conjunction with Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- _ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- _ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- _ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to the Austrian Commercial Code, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report for the Group in accordance with the Austrian Commercial Code and the special legal requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Other Information

Management is responsible for other information. Other information comprises any information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Additional Information in accordance with Article 10 of the EU Regulation

Pursuant to Sections 23 and 24 Austrian Savings Bank Act (SpG), Sparkassen-Prüfungsverband (Prüfungsstelle) is the statutory auditor of Austrian savings banks. In accordance with Section 23 (3) SpG in conjunction with Sections 60 and 61 BWG, the Company is subject to an audit, the consolidated financial statements are also subject to a statutory audit.

At the ordinary general meeting dated May 17, 2017 and pursuant to Section 1 (1) of the Audit Code for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the second time. PwC Wirtschaftsprüfung GmbH, Vienna, was engaged by the supervisory board.

We confirm that the audit opinion in the "Report on the Consolidated Financial Statements" section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement are Mr. Gerhard Margetich, Austrian Certified Public Accountant (Sparkassen-Prüfungsverband), and Ms. Dorotea-E. Rebmann, Austrian Certified Public Accountant (PwC Wirtschaftsprüfung GmbH, Vienna).

Vienna, February 28, 2019

Sparkassen-Prüfungsverband
(Prüfungsstelle)
(Bank Auditor)

Gerhard Margetich Austrian Certified Public Accountant	Stephan Lugitsch Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

Timo Steinmetz Austrian Certified Public Accountant	Dorotea-E. Rebmann Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of Section 281 (2) UGB apply.

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

We confirm that to the best of our knowledge the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties to which the Group is exposed.

Management board	
Andreas Treichl mp, Chairman	Peter Bosek mp, Member
Petr Brávek mp, Member	Willibald Cernko mp, Member
Gernot Mittendorfer mp, Member	Jozef Síkela mp, Member

Vienna, 28 February 2019