Erste Group Bank AG

Financial Statements 2019

ERSTE Group

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I. Balance Sheet of Erste Group Bank AG as of 31 December 2019

in EUR or in EUR thousand	Dec 19	Dec 18
Assets		
1. Cash in hand, balances with central banks	**1,625,617,671.43**	**8,241,827**
2. Treasury bills and other bills eligible for refinancing with central banks	**3,851,263,384.61**	**3,969,950**
a) treasury bills and similar securities	3,851,263,384.61	3,969,950
b) other bills eligible for refinancing with central banks	0.00	0
3. Loans and advances to credit institutions	**25,578,852,310.27**	**23,834,470**
a) repayable on demand	1,392,110,518.27	1,052,870
b) other loans and advances	24,186,741,792.00	22,781,600
4. Loans and advances to customers	**16,237,042,760.38**	**14,458,711**
5. Debt securities and other fixed-income securities	**6,370,039,336.16**	**4,961,648**
a) issued by public bodies	885,410,986.91	892,514
b) issued by other borrowers	5,484,628,349.25	4,069,134
of which: own debt securities	2,426,985,284.92	1,888,039
6. Shares and other variable-yield securities	**1,115,631,279.21**	**858,179**
7. Participating interests	**127,363,260.26**	**158,926**
of which: in credit institutions	41,305,660.93	73,710
8. Shares in affiliated companies	**7,389,377,724.08**	**6,656,692**
of which: in credit institutions	6,609,982,611.11	5,861,753
9. Intangible fixed assets	**23,176,814.02**	**25,926**
10. Tangible fixed assets	**58,521,135.65**	**42,442**
of which: land and buildings used by the credit institution for its own business operations	3,372,775.44	22,127
11. Shares in a controlling company	**0.00**	**0**
of which: par value	0.00	0
12. Other assets	**3,593,787,638.16**	**3,880,304**
13. Subscribed capital called but not paid	**0.00**	**0**
14. Prepayments and accrued income	**143,156,478.79**	**167,997**
15. Deferred tax assets	**150,348,586.55**	**57,011**
Total assets	**66,264,178,379.57**	**67,314,083**
Off-balance sheet items		
1. Foreign assets	**46,583,643,662.38**	**42,690,454**

in EUR or in EUR thousand	Dec 19	Dec 18
Liabilities and equity		
1. Liabilities to credit institutions	**22,214,674,181.95**	**25,037,761**
a) repayable on demand	4,924,574,853.81	6,678,362
b) with agreed maturity dates or periods of notice	17,290,099,328.14	18,359,399
2. Liabilities to customers (non-banks)	**6,589,588,577.34**	**7,264,808**
a) savings deposits	0.00	0
aa) repayable on demand	0.00	0
bb) with agreed maturity dates or periods of notice	0.00	0
b) other liabilities	6,589,588,577.34	7,264,808
aa) repayable on demand	3,044,180,386.60	3,061,902
bb) with agreed maturity dates or periods of notice	3,545,408,190.74	4,202,905
3. Securitised liabilities	**18,154,418,162.50**	**17,138,955**
a) debt securities issued	18,076,020,096.03	16,278,520
b) other securitised liabilities	78,398,066.47	860,435
4. Other liabilities	**3,689,892,083.47**	**3,779,401**
5. Accruals and deferred income	**207,464,734.42**	**187,392**
6. Provisions	**490,193,681.13**	**485,059**
a) provisions for severance payments	0.00	0
b) provisions for pensions	317,036,562.17	298,187
c) provisions for taxes	9,082,324.00	13,156
d) other	164,074,794.96	173,716
6a. Special fund for general banking risks	**0.00**	**0**
7. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	**5,064,549,015.19**	**4,799,400**
8. Additional Tier 1 capital pursuant to Part 2 Title I Chapter 3 of Regulation (EU) No 575/2013	**1,521,759,515.85**	**1,016,440**
of which: Compulsory convertible bonds pursuant to § 26 Austrian Banking Act (BWG)	0.00	0
8b Instruments without a vote pursuant to § 26a Austrian Banking Act (BWG)	**0.00**	**0**
9. Subscribed capital	**859,600,000.00**	**859,600**
10. Capital reserves	**1,628,104,885.97**	**1,627,020**
a) committed	1,628,104,885.97	1,627,020
b) uncommitted	0.00	0
11. Retained earnings	**4,348,233,541.75**	**3,665,528**
a) statutory reserve	1,537,900,000.00	1,537,900
b) reserves provided for by the articles	0.00	0
c) other reserves	2,612,309,642.74	2,030,514
d) blocked reserves	198,023,899.01	97,114
12. Reserve pursuant to section 57 (5) of Austrian Banking Act (BWG)	**851,000,000.00**	**851,000**
13. Net profit or loss for the year	**644,700,000.00**	**601,720**
Total Liabilities and equity	**66,264,178,379.57**	**67,314,083**
Off-balance sheet items		
1. Contingent liabilities of which	**3,663,354,064.46**	**4,569,755**
a) acceptances and endorsements	0.00	0
b) guarantees and assets pledged as collateral security	3,236,677,137.26	4,049,195
c) credit derivatives	426,676,927.20	520,560
2. Commitments	**9,151,755,493.32**	**7,293,503**
of which: commitments arising from repurchase agreements	0.00	0
3. Liabilities arising out of fiduciary activities	**186,029.60**	**149**
4. Own funds pursuant to Part 2 of Regulation (EU) No 575/2013	**12,505,349,965.11**	**11,413,738**
of which: Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	3,496,562,197.36	3,532,456
5. Own funds requirements pursuant to Art 92 of Regulation (EU) No 575/2013 of which: capital required pursuant to Art 92 (1) of Regulation (EU) No 575/2013	**32,819,608,190.47**	**32,235,317**
a) Common Equity Tier 1 capital ratio	22.88%	21.35%
b) Tier 1 capital ratio	27.45%	24.45%
c) Total capital ratio	38.10%	35.41%
6. Foreign liabilities	**11,982,987,557.57**	**17,116,895**

II. Income Statement of Erste Group Bank AG for the Year ended 31 December 2019

in EUR or in EUR thousand	1-12 19	1-12 18
1. Interest and similar income	2,575,434,090.41	2,569,272
of which: from fixed-income securities	234,860,546.85	199,685
2. Interest and similar expenses	-2,363,638,425.06	-2,283,458
I. NET INTEREST INCOME	**211,795,665.35**	**285,813**
3. Income from securities and participating interests	815,842,986.95	1,050,018
a) income from shares, other ownership interests and variable-yield securities	64,281,161.85	52,437
b) income from participating interests	8,713,950.20	8,018
c) income from shares in affiliated companies	742,847,874.90	989,563
4. Commissions income	157,532,052.04	167,755
5. Commissions expenses	-128,524,903.69	-128,252
6. Net profit or loss on financial operations	-69,346,305.64	-77,575
7. Other operating income	230,975,644.53	107,523
II. OPERATING INCOME	**1,218,275,139.54**	**1,405,282**
8. General administrative expenses	-660,820,161.76	-647,008
a) staff costs	-345,024,440.62	-335,122
aa) wages and salaries	-226,372,676.33	-230,355
bb) expenses for statutory social security contributions and compulsory contributions related to wages and salaries	-45,352,374.61	-46,585
cc) other social expenses	-3,147,499.56	-3,000
dd) expenses for pensions and assistance	-13,814,973.39	-10,426
ee) release / allocation to the provision of pensions	-39,750,356.25	-37,714
ff) expenses for severance payments and contributions to severnace and retirement funds	-16,586,560.48	-7,042
b) other administrative expenses	-315,795,721.14	-311,886
9. Value adjustments in respect of assets items 9 and 10	-10,084,760.02	-15,328
10. Other operating expenses	-59,917,093.80	-34,081
III. OPERATING EXPENSES	**-730,822,015.58**	**-696,417**
IV. OPERATING RESULT	**487,453,123.96**	**708,865**
11. Value adjustments of loans and advances and allocations to provisions for contingent liabilities, commitments and securities held in the financial current assets	-135,122,157.46	-113,754
12. Value re-adjustments of loans and advances and provisions for contingent liabilities, commitments and securities held in the financial current assets	117,695,031.74	157,252
13. Value adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated companies	-57,729,309.10	-159,526
14. Value re-adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated companies	754,094,944.29	240,290
V. PROFIT OR LOSS ON ORDINARY ACTIVITIES	**1,166,391,633.43**	**833,126**
15. Extraordinary income	5,000,000.00	0
of which: withdrawals from the special fund for general banking risks	0.00	0
16. Extraordinary expenses	0.00	0
of which: allocation to the special fund for general banking risks	0.00	0
17. Extraordinary result (sub-total of items 15 and 16)	5,000,000.00	0
18. Tax on profit or loss	173,411,786.22	108,526
19. Other taxes not reported under item 18	-17,701,435.82	-4,617
VI. PROFIT OR LOSS FOR THE YEAR AFTER TAX	**1,327,101,983.83**	**937,036**
20. Changes in reserves	-682,705,661.04	-335,316
of which: allocation to liability reserve pursuant to section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
of which: reversal of liability reserve pursuant to section 23 (6) of the Austrian Banking Act (BWG)	0.00	0
VII. PROFIT OR LOSS FOR THE YEAR AFTER DISTRIBUTION ON CAPITAL	**644,396,322.79**	**601,720**
21. Profit brought forward from previous year	303,677.21	0
22. Profit transferred on the basis of profit transfer agreement	0.00	0
VIII. PROFIT OR LOSS FOR THE YEAR	**644,700,000.00**	**601,720**

III. Notes to the Financial Statements 2019

A. GENERAL INFORMATION

Erste Group Bank AG is listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange and on the Bucharest Stock Exchange. Erste Group Bank AG is registered in the company register at the Commercial Court of Vienna under FN 33209m. The address of its registered office is: Am Belvedere 1, 1100 Vienna, Austria.

The 2019 financial statements of Erste Group Bank AG have been prepared in accordance with the regulations of the Commercial Code (Unternehmensgesetzbuch, UGB) and in conjunction with the applicable provisions of the Austrian Banking Act (Bankwesengesetz, BWG).

Pursuant to section 59a Austrian Banking Act (BWG), Erste Group prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) on the same balance sheet date. The Erste Group's consolidated financial statements are filed with the commercial register at the Commercial Court of Vienna.

It should also be noted that in addition to the joint liability scheme in place since 2001, from 1.1.2014 onwards Erste Group Bank AG has formed a recognised institutional protection scheme in accordance with article 113 (7) CRR together with the Austrian savings banks. The joint liability scheme complies with the requirements of article 4 (1) Z 127 CRR, whereby the required individual services of the individual members of the scheme are subject to an individual and general ceiling. The applicable amounts are determined by the steering company and made known to the paying members. Due to the requirements for an IPS (Institutional Protection Scheme), the ceilings for individual members' support measures were raised and an ex-ante fund established which was endowed beginning in 2014 for the following 10 years.

The payments of the individual members are recognised in the balance sheet as a share in IPS GesbR, which manages the ex-ante fund. Due to the contractual terms, this revenue reserve represents a blocked reserve. The writing off of this blocked reserve may only take place as a result of the mobilisation of the ex-ante fund due to a claim. This reserve can therefore not be utilised internally to cover losses and on member level does not qualify as capital according to the CRR; on a consolidated level, the ex-ante fund does qualify, however.

Ongoing legal cases

Erste Group Bank AG is party to lawsuits that, for the most part, relate to ordinary banking business. The outcome of these proceedings is not expected to have a significant negative impact on the financial position and profitability of Erste Group Bank AG. Erste Group Bank AG is currently also involved in the following legal cases:

Corporate Bond investors' prospectus claims: Starting with 2014, a number of investors in corporate bonds, issued by a large Austrian construction group in the years 2010, 2011 and 2012, filed claims with courts in Vienna against Austrian banks, among them Erste Group Bank AG, requesting compensation for their losses as bond-holders following the bankruptcy of the issuer in 2013. The plaintiffs argue, in essence, that the defendant banks, which acted as joint-lead managers in the issuing of the respective bond, already knew of the issuer's insolvency status at that time and should be liable for the failure of the issuing prospectus to state this. Erste Group Bank AG, together with a second Austrian bank, acted as joint-lead manager of the bond issue in 2011. Erste Group Bank AG rejects the claims.

Česká Spořitelna a.s., minority shareholders claims: Following the completion of a squeeze-out procedure in Česká Spořitelna a.s. resulting in Erste Group Bank AG becoming the sole shareholder of Česká Spořitelna a.s., some former minority shareholders of Česká Spořitelna a.s. have filed legal actions with the courts in Prague. In the case against Česká Spořitelna a.s. the plaintiffs aim in essence a declaration that the shareholders´ resolution approving the squeeze-out is invalid. In the proceedings against Erste Group Bank AG the plaintiffs allege in essence that the share price of CZK 1,328.00 (at that time around EUR 51.00) paid by Erste Group Bank AG in the squeeze-out of the Česká Spořitelna a.s. minority shareholders in 2018 was unfair and too low and should be increased. In case the courts find there should be an increase, this would affect all minority shareholders squeezed-out. In the squeeze-out performed in 2018 Erste Group Bank AG acquired a total of 1.03% of minority shares for a consideration of EUR 80,327,547.67. Erste Group Bank AG views that the purchase price, established by a valuation done by professional external experts, was correct and fair.

Disclosure

Erste Group Bank AG uses the internet as the medium for publishing disclosures Article 434 of regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Captial Rquirements 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'.

Size according to section 221 Commercial Code (UGB)

Pursuant to section 221 (3) in connection with section 189a Commercial Code (UGB), the legal regulations for large companies are valid for the financial year ending 31 December 2019.

B. NOTES ON ACCOUNTING AND MEASUREMENT METHODS

Generally accepted accounting principles

The financial statements have been prepared in accordance with the generally accepted accounting principles and according to the standard principle that the financial statements should give a fair and accurate view of the company's financial position, income and expenses. At preparation of the financial statements, the principle of completeness was applied. The principle of individual measurement was applied in assessing the company's assets and liabilities, and the assumption was that the company would continue to operate (going concern). In applying the principle of prudence, the particularities of the banking business were taken into account.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency were measured at the ECB reference rates applicable at the balance sheet date. The currencies for which ECB did not publish a reference rate were recognised at the mid rate applicable at the balance sheet date for foreign currencies of Erste Group Bank AG. Foreign exchange forward transactions and FX swaps were rated at the forward currency rate.

Participating interests and shares in affiliated companies

The valuation approach for participating interests and shares in affiliated companies is the modified lower of cost or market principle. Where permanent impairments resulted from sustained losses or other circumstances, devaluations were recognised accordingly. Where the reasons for impairment ceased to exist, a write-up was required in the amount of the value increase, but capped with costs of acquisition.

Where available, the carrying amount is determined based on recent transactions, market quotations or appraisals. In general the value is determined using a discounted cash flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. For this purpose, Erste Group Bank AG performs an annual impairment test on the balance sheet date, although an impairment test is also carried out during the year if evidence exists that might indicate depreciation. Methodologically, this is carried out following IAS 36. In order to check the existing investment book values, an impairment test is carried out for all cash-generating units. The estimation of future earnings distributable to shareholders is based on financial plans (budgets) as agreed by the management while taking into account the fulfilment of the respective regulatory capital requirements. The planning period is five years. Any earnings forecast beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate. In 2019, the model was refined: as long as the implicit return on equity is higher than the equity capital costs at the end of the planning period, the return on equity for the perpetuities is aligned with the equity capital costs. The present value of perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows.

The interest rate used for calculation was calculated on the basis of the CAPM (Capital Asset Pricing Model). Key input factors include:

- A risk-free interest rate (Source: Svensson yield curve method for German government bonds)
- Market risk premium
- Beta factor
- Weighted country risk premium (Source: Damodaran).

Dividend earnings from participating interests and shares in affiliated companies are reported after the resolution on dividend payouts and shown in item 3 Income from securities and participating interests.

Loans and advances to credit institutions and customers

Credit loans and advances to credit institutions and customers were measured in accordance with section 57 (1) Austrian Banking Act (BWG) using the effective interest rate method. Default risks, which were recognized at the balance sheet date, were covered by loan loss provisions. Write-ups from the release of loan loss provisions were carried out. Methodologically, the calculation of loan loss provisions is conducted using the IFRS 9 impairment models set out in the Commercial Code (UGB).

Securities

Depending on their classification, securities (debt securities and other fixed-income securities, shares and other variable-yield securities) are held either as trading assets, current assets or financial assets. According to the classification they are measured as specified below:

- trading assets at market value, even when acquisition costs are exceeded;
- current assets at amortised acquisition cost or at the lower market value (strict application of valuation rule "whichever is lowest out of market value or acquisition costs") respectively bonds admitted to trading on stock exchanges at market values, even when acquisition costs are exceeded (in accordance with section 207 Commercial Code in connection with section 56 (5) Austrian Banking Act (BWG));
- fixed assets at amortised acquisition cost and where permanent impairment can be presumed, at the lower market value (discretionary application of the valuation rule "whichever is lowest out of market value or acquisition costs"). As long as there is no evidence of permanent impairment, no impairment loss is recognised. Evidence for non-permanent impairment of securities, which are intended to be held long-term, includes fluctuations within the normal market volatility as well as interest-related price fluctuations (in compliance with section 204 (2) Commercial Code).

Securities were allocated to trading assets, current assets or to financial assets in accordance with the organisational policies adopted by the management board. The fair value, or market price, is the price that can be achieved by selling a financial instrument or the price payable for its purchase, in an active market. Where available, market prices were used for asset valuation. Valuation methods, especially the present value method, were used for assets without market prices.

Amortised Costs and Effective Interest Rate Method

Pursuant to section 56 (2) und (3) Austrian Banking Act (BWG) and section 198 (7) Commercial Code, the difference between acquisition cost and book values for fixed-income securities with the characteristics of financial investments as well as for securitised liabilities is amortised on a pro rata basis. The distribution of the difference takes place in line with AFRAC (Austrian Financial Reporting and Auditing Committee – AFRAC) statement-14 “Accounting of non-derivative financial instruments” according to the effective interest rate method either until the first possibility for termination by the issuer, or until the redemption date.

The amortised acquisition costs of financial assets or liabilities are the amount, which the asset or liability is valued at when initially recognised, minus redemptions, plus or minus the cumulated amortisation of any difference between the original amount and the amount redeemable at maturity using the effective interest rate method.

The effective interest rate is the interest rate with which the estimated future in- and outflows over the expected life of the asset or liability are discounted exactly at the amortised costs of an asset or a liability. The estimated cash flows take into consideration all conditions set out in the contract for the asset or liability; expected credit losses, however, are not taken into consideration. Furthermore, the calculation includes transaction costs and handling fees, if these are distributable, as well as all other premiums and discounts on the nominal value.

Should the base interest rate change during the life of a variable interest rate loan and this change is not due to contractual modification, the changes to the expected future in/outflows are taken into consideration by recalculating the EIR. Any caps and floors agreed on the base interest rate are also taken into account.

If the expected future in/outflows of a loan change during the contract term and the change is neither due to contractual modification nor to an adjustment to the nominal interest rate, nor to deterioration of credit rating, the amortised costs of the asset are adjusted by recording a changed estimate. This changed estimate corresponds to the difference between the amortised acquisition costs before the change in the expected in/outflows and the cash value of the newly expected in/outflows, discounted by the original effective interest rate. In the profit and loss statement the change in estimates is reflected in the interest income.

Handling of contractual modifications

Within the framework of the current lending business and in agreement with the respective debtors, it may be the case that Erste Group Bank AG changes or renegotiates certain contractual terms. Those contractual modifications are classified in substantial and non-substantial modifications according to specific qualitative and quantitative aspects. Contractual modifications which are not significant are accounted for according to the applicable commercial law provisions.

Substantial changes lead to the derecognition of the original asset and to the initial recognition of the modified asset at its fair value. For defaulted assets, the difference betwen the book value of the written off asset and the fair value of the new asset upon initial recognition is recorded in items 11 or 12 of the profit and loss statement.

As long as there are no significant contractual adjustments for non-defaulted assets, the non-amortised amount of handling fees/transaction costs, which are included in the effective interest rate, are recognised on the date of derecognition as interest income. The reversal of impairments, which were recorded for the original asset until the substantial modification took place, as well as the recording of the impairment for the new asset are both shown in the profit and loss statement in items 11 or 12. The remaining difference is shown in other operating income (item 7) or expenses (item 10).

Impairment for Credit Risks

Impairments or provisions for credit risks to loan receivables and off-balance sheet credit risk arising from financial guarantee contracts and certain loan commitments are recorded. For loan receivables, the book value of the asset recorded in the balance sheet corresponds to the difference between the amortised acquisition costs and the cumulated impairments. Impairments for loan commitments and financial guarantee contracts are reported in the balance sheet item other provisions. In the profit and loss statement, impairment losses and income are recorded in items 11 and 12 for all assets.

The calculation of impairments is carried out in line with the FMA (Finanzmarktaufsicht – FMA) and AFRAC's common position paper concerning the subsequent valuation in credit institutions by using the IFRS 9 model in the Commercial Code. The impairment model is based on expected credit loss and considers the "statistically determined empirical values from similar facts and circumstances" in Section 201 (2) Z 7 Commercial Code, which are also necessary for the valuation of expected credit loss in the Commercial Code.
Expected credit loss (ECL) reflects the following:

- an undistorted and probability-weighted amount, which is determined by a series of possible scenarios;
- the time value of money; and
- plausible and comprehensible information about past events and current conditions as well as prognoses about future economic developments.

Three Stage Model

An impairment model based upon a three stage approach is used for the calculation of risk provisioning:

- Stage 1 includes financial assets at initial recognition and financial assets which have not significantly shown increased credit risk since initial recognition, independent of their creditworthiness.
- Stage 2 includes financial assets which have shown significant increased credit risk since initial recognition, however for which there is not yet any impairment at the time of report. Specific rules for the classification of initial utilisations of approved lines of credit exist. Dependent on the development of credit risk between confirmation and initial utilisation, the loan is classified at stage 1 or stage 2.
- Stage 3 includes financial assets that are impaired on the reporting date. A financial asset is principally impaired if the customer defaults.

Across the Group, the definition used for loan default is based on EBA/GL/2016/07 guide to using the definition of default in accordance with Article 178 of EU regulation number 575/2013 and delegated regulation EU/2018/171 "on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due." The delegated regulation was implemented in the reporting year 2019; however, this did not result in a significant alteration to the applied accounting policies.

In stage 1 risk provisions are calculated in the amount of the expected losses over 12 months. In stages 2 and 3 risk provisions are calculated in the amount of the expected credit losses over the (remaining) duration.

Significant Increase in Credit Risk

Erste Group Bank AG recognises risk provisions for non-defaulting customers amounting to the expected credit losses. In accordance with the AFRAC and FMA's common position paper, the IFRS 9 method for calculating expected credit losses provides a possible method of taking into account expected credit losses for the Commercial Code. Therefore, Erste Group Bank AG measures risk provisions in the Commercial Code according to the same criteria as in the IFRS 9 model.

Concerning the modelling of the expected credit loss (ECL) and the calculation of the risk provisions for credit risks resulting therefrom, the identification of a significant increase in credit risk (SICR) since the recognition of the loan receivable is one of the substantial determinants for the expected impact. For this purpose, quantitative and qualitative indicators for the estimation of a SICR are defined for all portfolios and product types, including receivables overdue by more than 30 days.

Quantitative indicators include adverse changes in the probability of default (PD) over the total (remaining) duration, whereby the significant increase is determined by means of a combination of relative and absolute change threshold levels. Generally, the indicators for the PD are defined in order to represent the risk in consideration of forward-looking information ("forward looking-information", FLI) as a point-in-

time measurement. The PD threshold values are defined for customer segments or (individual) customer rating and are subject to continuous validation.

Qualitative indicators for calculating an SICR include forbearance measures and the transfer of the customer to the workout department as well as early warning indicators (if these are not already sufficiently considered in the rating) and indications of fraud. The setting of qualitative indicators is based inherently on the expert evaluation of credit risks, which is to be carried out in an appropriate and timely manner. The group-wide and institution-specific guidelines and processes concerning this ensure the required governance framework. Besides the qualitative determinants on a customer level, the calculation of an SICR is carried out at portfolio level if the increase to the credit risk on a business or customer level occurs only after some delay or if the increase is only noticeable at portfolio level.

Calculation of Risk Provisions

The calculation of risk provisions for defaulted customers (stage 3) is generally carried out on an individual level. The individual method is used for defaulted customers and comprises an individual definition of those restructuring or liquidation scenarios deemed currently possible, the probability of them occurring and the expected recoveries per scenario (amortisations and collateral proceeds) by the workout-riskmanager. The probabilities are stipulated by the workout-riskmanagers based on an individual assessment of the restructuring and liquidation scenarios.The cash value comes from the discounting of the expected cash flows based on the original effective interest rate. The required risk provision is the difference between the gross book value and the cash value of the expected cash flows in a scenario, calculated over all probability-weighted scenarios.

Regardless of their significance, rule-based risk provisions are calculated on the basis of a rule-based approach for non-defaulted customers (stage 1 and 2). The amount of portfolio risk provisions depends on the gross book value, the probability of default (PD), the losses given default (LGD) and the credit conversion factor (CCF) for off-balance sheet items. For the calculation of loss given default, the impact of the discounting of future cash flows on the cash value is considered.

Intangible and tangible assets

Intangible and tangible assets were measured at purchase or production cost less depreciation and impairment. Straight-line depreciation was applied as scheduled. The useful life is 25 to 50 years for buildings and 5 to 20 years for fixtures and fittings; the amortisation period for intangible assets is 4 to 15 years. Low-value assets were fully written off in the year of acquisition.

Liabilities

Liabilities were recognised in the balance sheet at their settlement values or the pro rata annual values (zero coupon bonds).

Issuing costs – premiums and discounts on issues

Issuing costs for securities were expensed immediately; premiums and discounts on issues were amortised on a pro rata temporis basis using the effective interest rate method.

Provisions

Defined benefit plan

Defined benefit plans of Erste Group AG comprise provisions for pension, severance and jubilee benefits. In Austria defined pension plans now only apply to retired employees. In past years, pension obligations for active employees were transferred to VBV-Betriebliche Altersvorsorge AG. Remaining with Erste Group Bank AG is a defined-benefit obligation for entitlements of former employees who had already retired by 31 December 1998 before the pension reform took effect, and for those former employees who did not retire until 1999 but continued to be entitled to a direct pension from Erste Group Bank AG under individual agreements. Entitlements to resulting survivor pensions also remained with the Erste Group Bank AG. Severance entitlements continue to be applicable for employees whose employment contract with Erste Group Bank AG commenced prior to 1 January 2003. Severance pay is a one-off payment which employees are entitled to when their employment is terminated. Entitlement to this severance pay arises after three years of employment. Defined benefit plans include jubilee benefits. The amount of jubilee benefits (payments for long-term service/loyalty to the company) is determined by the length of employment with the employer.

The entitlement to jubilee benefits is established by a collective agreement, which defines both the conditions and amount of the entitlement. Obligations under defined benefit plans for employees are determined using the projected unit credit method. Future obligations are determined based on actuarial reports. The calculation takes into account not only the known salaries, pensions and entitlements to future pension payments but also salary and pension increases expected in the future.

The interest rate applied for the calculation of long-term personnel provisions is derived from the current interest rate of a portfolio of high-quality (AA-rating) corporate bonds. For this purpose, the weighted average of the yield of the underlying portfolio is determined with a corresponding duration.

Tax provisions and other provisions

Unless the amounts were small, provisions were set aside on a best estimate basis. Tax provisions and other provisions with a term of more than a year were discounted at a customary market interest rate of corporate bonds with an AA rating as at the closing day. Depending on the applicable remaining duration, interest rates between 0.0% and 0.0848% were applied.

Assets held in trust

Recoverable trust assets were declared off-balance sheet in accordance with section 48 (1) Austrian Banking Act (BWG).

Derivative business

Derivatives in a hedge relationship under AFRAC-statement 15 (September 2017) are treated as a valuation unit, thus the Fair Value neither of the derivative nor of the hedged item is part of the balance sheet. This means that value adjustments from derivative and underlying transaction are not recognised in the balance sheet. The presentation of trading book derivatives on balance is done for the single confirmation priced mark-to-market. Derivatives in the Banking Book, which are not in a hedge relationship under AFRAC statement 15 (September 2017) are recognised (in other operating income or other operating expenses) based on the imparity principle in profit and loss as provisions for contingent losses with the expected loss from mark-to-market valuations exceeding the book value. The interest income/expenses as well as possible financial compensation from the current period are accrued based on the effective interest rate. These are shown in the interest result, independent of assignment to the trading book or banking book. The calculation of interest income or expense is generally carried out on single trade basis. For currency derivatives, the calculation is conducted on the basis of each currency. Erste Group Bank AG applies AFRAC statement 15 Derivatives and Hedging Instruments (Commercial Code) from September 2017 for the reporting of internal derivative transactions in hedge relationships.

The attributed fair value is the amount which could be achieved in an active market from the sale of a financial instrument, or the amount which would need to be paid for a relevant acquisition. As long as market rates were available, these are used for valuation. If market rates were not available, valuation models were used, which included the present value method in particular. Fair values for options are calculated with recognised option price models. The valuation models applied include inter alia models of the Black-Scholes class, the binomial model, the Hull&White and Brace Gatorek Musiela (BGM) models.

Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA) are used for the calculation of the market values of derivatives. For derivatives in hedge relationships, the CVA is reported as an inefficient part in the balance sheet and income statement.

Deferred tax assets

Deferred tax assets are recognised to the extent of convincing substantial evidence that sufficient taxable income will be available in future against which tax-deductible temporary differences and tax losses can be offset. The valuation methods were based on a results prognosis for all larger incorporated companies in the tax group with the budgets which were approved by the responsible supervisory authorities.

The calculation of deferred tax assets of Erste Group Bank AG as group parent of the group of companies, which includes only group members in Austria, was completed in accordance with Statement 30 Deferred Tax Assets in single and consolidated financial statements issued by AFRAC (December 2017).

Securities lending and repurchase transactions

In repurchase agreements / securities lending transactions, the assets assigned are still recognised in the balance sheet. A liability is presented against the pledgee in the amount received for the transfer. In reverse repurchase agreements / securities lending transactions, the assets taken over are not part of the balance sheet. The amount owed by the pledgor is recognised as a receivable in the amount paid for the transfer. Erste Group Bank AG has repurchase agreements / securities lending transactions with the commitment to return the securities.

Changes in accounting and measurement methods

In 2019, other restricted reserves have been renamed to blocked reserves.

C. NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

Unless otherwise indicated, amounts for the reporting year are stated in Euros, for the previous year in thousand Euros. The tables in this report may contain rounding differences.

1. Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by residual time to maturity)

Loans and Advances

in EUR or in EUR thousand	Dec 19	Dec 18
Loans and advances to credit institutions	**25,578,852,310.27**	**23,834,470**
payable on demand	1,392,110,518.27	1,052,870
0-3 months	13,921,555,801.53	13,608,814
3-12 months	4,188,387,771.22	2,185,981
1-5 years	4,527,797,419.21	5,941,021
>5 years	1,549,000,800.04	1,045,785
Loans and advances to customers	**16,237,042,760.38**	**14,458,711**
payable on demand	482,424,430.43	656,905
0-3 months	1,204,993,862.30	754,969
3-12 months	1,266,122,305.10	1,755,150
1-5 years	7,030,679,834.21	6,075,117
>5 years	6,252,822,328.34	5,216,570

Liabilities

in EUR or in EUR thousand	Dec 19	Dec 18
Liabilities to credit institutions	**22,214,674,181.95**	**25,037,761**
payable on demand	4,924,574,853.81	6,678,362
0-3 months	13,745,431,508.80	15,493,981
3-12 months	728,952,451.57	280,041
1-5 years	1,926,010,147.87	2,465,809
>5 years	889,705,219.90	119,567
Liabilities to customers (non-banks)	**6,589,588,577.34**	**7,264,808**
Savings deposits	**0.00**	**0**
Other Liabilities	**6,589,588,577.34**	**7,264,808**
payable on demand	3,044,180,386.60	3,061,902
0-3 months	3,285,570,852.07	3,931,296
3-12 months	36,540,000.00	52,500
1-5 years	139,600,000.00	144,881
>5 years	83,697,338.67	74,229

2. Debt securities due within one year

Purchased debt securities worth EUR 767,565,026.95 (prior year: EUR 712,426 thousand) and issued debt securities worth EUR 1,357,069,555.17 (prior year: EUR 1,444,147 thousand) are scheduled to mature in the year following 31 December 2019.

3. Assets and liabilities in foreign currencies

in EUR or in EUR thousand	Dec 19	Dec 18
Assets	22,359,435,516.95	20,494,121
Liabilities	10,270,108,265.79	13,115,076

4. Loans and advances as well as liabilities to affiliated companies and companies in which participating interests are held

in EUR or in EUR thousand	Loans and advances to affiliated companies		Loans and advances to participating interests	
	Dec 19	Dec 18	Dec 19	Dec 18
Treasury bills and other bills eligible for refinancing with central banks	0.00	0	0.00	0
Loans and advances to credit institutions	18,104,979,245.31	19,403,512	0.00	0
Loans and advances to customers	1,526,815,057.46	2,432,659	3,268,953.93	412
Debt securities and other fixed-income securities (incl. securitised loans and advances to credit institutions)	583,709,928.47	710,443	4,483,349.28	0
Shares and other variable-yield securities	980,140,894.38	628,772	26,327,015.19	26,344

Among these, the most important companies are:

Loans and advances to affiliated companies:
- Česká Spořitelna a.s., Prague
- Salzburger Sparkasse Bank AG, Salzburg
- Tiroler Sparkasse Bankaktiengesellschaft, Innsbruck
- Kärntner Sparkasse AG, Klagenfurt

in EUR or in EUR thousand	Liabilities to affiliated companies		Liabilities to participating interests	
	Dec 19	Dec 18	Dec 19	Dec 18
Liabilities to credit institutions	15,124,029,620.54	14,543,091	1,769,225.12	129
Liabilities to customers (non-banks)	1,495,752,105.03	2,187,927	1,065,088.98	24
Securitised liabilities	534,419,593.59	593,197	0.00	0
Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	1,506,184.03	2,511	0.00	0

The prior year`s figure on liabilities to customers was adjusted from EUR 234,195 thousand to EUR 2,187,927 thousand.

Liabilities to affiliated companies:
- Erste Bank der Oesterreichischen Sparkassen AG, Vienna
- Steiermärkische Bank und Sparkassen Aktiengesellschaft, Graz
- Erste Finance (Delaware) LLC, Wilmington
- Allgemeine Sparkasse Oberösterreich Bank AG, Linz

Business with affiliated companies is conducted at armth's length.

5. Subordinated assets

in EUR or in EUR thousand	Dec 19	Dec 18
Loans and advances to credit institutions, thereof	**744,176,541.32**	**745,541**
to affiliated companies	701,114,580.99	691,161
to companies with participating interests	0.00	0
Loans and advances to customers, thereof	**535,230.23**	**1,146**
to affiliated companies	0.00	0
to companies with participating interests	535,230.23	412
Shares and other fixed-income securities, thereof	**53,709,249.60**	**11,161**
to affiliated companies	0.00	0
to companies with participating interests	0.00	0

6. Fiduciary business

No fiduciary business without the right of disposal was disclosed as of the balance sheet date.

7. Securities

Breakdown of securities admitted to trading on stock exchange items A5 to A8

pursuant to section 64 (1) no. 10 Austrian Banking Act (BWG)	Listed		Not listed	
in EUR or in EUR thousand	Dec 19	Dec 18	Dec 19	Dec 18
Debt securities and other fixed-income securities	6,370,039,336.16	4,961,648	0.00	0
Shares and other variable-yield securities	63,249,425.44	151,700	39,887,198.11	39,755
Participating interests	1,440,071.43	1,440	0.00	0
Shares in affiliated companies	0.00	0	0.00	0
Total	**6,434,728,833.03**	**5,114,788**	**39,887,198.11**	**39,755**

Breakdown of securities admitted to trading on stock exchange items A5 to A6

pursuant to section 64 (1) no. 11 Austrian Banking Act (BWG)	Fixed assets		Current assets	
in EUR or in EUR thousand	Dec 19	Dec 18	Dec 19	Dec 18
Debt securities and other fixed-income securities	2,610,037,684.85	2,044,388	2,379,939,805.80	1,914,418
Shares and other variable-yield securities	10,802,174.16	58,695	47,436,636.93	70,550
Total	**2,620,839,859.01**	**2,103,082**	**2,427,376,442.73**	**1,984,968**

Securities that are listed on a non-regulated market, for example those on the third market of the Vienna Stock Exchange, are considered as approved for trading on the stock market, yet they are not publicly listed.

Allocation pursuant to section 64 (1) no. 11 Austrian Banking Act (BWG) was carried out in accordance with the organisational policies adopted by the management board, with positions being included under fixed assets that are held for strategic purposes of liquidity. As of 31 December 2019, the difference to the redemption value – items A2 to A6 - resulting from the pro rata write-downs pursuant to section 56 (2) Austrian Banking Act (BWG) amounts to EUR 75,284,969.51 (prior year: EUR 62,888 thousand), whereas the difference to the redemption value from the pro-rata write-ups pursuant to section 56 (3) Austrian Banking Act (BWG) amounts to EUR 35,374,464.25 (prior year: EUR 37,302 thousand).

Repurchase agreements

The carrying amount of assets subject to sale and repurchase agreements amounts to EUR 1,584,618,925.80 on the balance sheet date (prior year: EUR 1,043,210 thousand).

Differences of the securities listed for trade on the stock exchange not held as financial fixed assets

The difference between the higher market value on the balance sheet date and the cost of purchase pursuant to section 56 (5) Austrian Banking Act (BWG) amounts to EUR 2,242,431.26 (prior year: EUR 1,858 thousand).

Breakdown of debt securities and other fixed-income securities

in EUR or in EUR thousand	Dec 19	Dec 18
Issued by public-sector issuers	885,410,986.91	892,514
Own issues	2,426,985,284.92	1,888,039
Bonds - domestic credit institutions	9,097,374.83	62,266
Bonds - foreign credit institutions	1,754,788,305.69	1,018,554
Mortgage and municipal securities	1,024,301,857.84	797,194
Convertible bonds	0.00	0
Other bonds	269,455,525.97	303,081
Total position A5	**6,370,039,336.16**	**4,961,648**

8. Trading book

Erste Group Bank AG kept a trading book pursuant to Art. 102 CRR throughout the financial year. As of 31 December 2019, the securities portfolio assigned to the trading book was EUR 2,735,257,169.55 (prior year: EUR 2,090,487 thousand). Money market instruments worth EUR 20,112,932,037.38 (prior year: EUR 18,679,847 thousand) were assigned to the trading book as of 31 December 2019.

The volume of other financial instruments included in the trading book had a par value of EUR 243,304,254,085.79 as of 31 December 2019 (prior year: EUR 226,104,503 thousand). The disclosure of other financial instruments includes external transactions as well as booked internal transactions concerning hedge relationships.

9. Participating interests and shares in affiliated companies

The amounts for equity and result are denominated in euro and, as a rule, are derived from the IFRS financial statements prepared to consolidate the consolidated financial statements according to uniform Group guidelines. The share indicated below represents direct and indirect shares.

Holdings as of 31 December 2019

Company name, registered office	Interest of Erste Group in %	Equity	Result	Balance sheet date
Credit institutions according to CRR				
Banca Comercială Română S.A., Bucharest	99.88	1,738,255,859.00	135,727,292.00	31.12.2019
Banka Sparkasse d.d., Ljubljana	4.00	120,650,281.00	4,958,267.00	31.12.2019
Česká Spořitelna a.s., Prague	100.00	5,169,092,149.00	670,499,637.00	31.12.2019
Erste & Steiermärkische Bank d.d., Rijeka	59.02	1,126,887,691.00	101,447,008.00	31.12.2019
ERSTE BANK AD NOVI SAD, Novi Sad	74.00	270,655,317.00	22,743,995.00	31.12.2019
Erste Bank der oesterreichischen Sparkassen AG, Vienna	100.00	1,740,921,471.00	226,880,713.00	31.12.2019
Erste Bank Hungary Zrt, Budapest	85.00	1,173,416,574.00	169,899,784.00	31.12.2019
Prva stavebna sporitelna, a.s., Bratislava	25.02	258,147,310.24	16,947,971.99	31.12.2019
Public Joint-stock company commercial Bank "Center-Invest", Rostow on Don	9.09	167,993,447.34	15,801,753.21	31.12.2018
Slovenska sporitelna, a. s., Bratislava	100.00	1,580,627,070.00	174,436,178.00	31.12.2019
SPAR-FINANZ BANK AG, Salzburg	50.00	5,363,016.83	271,065.62	31.12.2019
Swedbank AB, Sundbyberg	0.07	8,715,778,994.52	1,838,712,419.60	31.12.2018
Financial institutions				
EB Erste Bank Internationale Beteiligungen GmbH, Vienna	100.00	26,160,554.00	-3,106,863.00	31.12.2019
Erste Group Immorent GmbH, Vienna	100.00	390,596,188.00	70,985,643.00	31.12.2019
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o., Ljubljana	25.00	150,789.00	-176,749.00	31.12.2019
EUROPEAN INVESTMENT FUND, Luxembourg	0.11	1,991,030,429.00	127,560,724.00	31.12.2018
Intermarket Bank AG, Vienna	92.63	56,753,188.00	5,401,501.00	31.12.2019
VBV - Betriebliche Altersvorsorge AG, Vienna	26.19	59,149,572.64	10,005,633.64	31.12.2019
Other holdings				
Austrian Reporting Services GmbH, Vienna	14.00	86,520.32	20,445.67	31.12.2018
aws Gründerfonds Beteiligungs GmbH & Co KG, Vienna	5.11	31,862,839.29	1,225,519.45	31.12.2018
Business Capital for Romania - Opportunity Fund Coöperatief UA, Amsterdam	77.38	12,444,770.00	79,951.00	31.12.2018
CEESEG Aktiengesellschaft, Vienna	11.30	372,063,120.77	21,474,121.90	31.12.2018
Dateio s.r.o., Prague	22.23	847,016.69	-147,487.91	31.12.2018
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100.00	121,965.00	-118,969.00	31.12.2019
Erste Asset Management GmbH, Vienna	64.67	113,975,743.00	48,002,489.00	31.12.2019
ERSTE d.o.o. , Zagreb	10.79	14,413,506.32	2,544,718.77	31.12.2019
Erste Finance (Delaware) LLC, Wilmington	100.00	79,939.00	1,922.00	31.12.2019
Erste Group Card Processor d.o.o. (vm.MBU), Zagreb	100.00	17,232,457.00	1,681,389.00	31.12.2019
Erste Group IT International GmbH, Vienna	99.90	61,638,793.00	45,418,686.00	31.12.2019
Erste Group Services GmbH, Vienna	100.00	188,799.00	129,780.00	31.12.2019
Erste Group Shared Services (EGSS), s.r.o., Hodonin	60.00	247,601.00	36,906.00	31.12.2019
Erste Reinsurance S.A., Luxembourg	100.00	50,830,274.00	7,700,101.00	31.12.2019
FRC2 Croatia Partners SCSp, Luxembourg	5.59			newly founded 2019
George Labs GmbH (vorm. BeeOne GmbH), Wien	100.00	1,868,666.00	374,534.00	31.12.2019
Graben 21 Liegenschaftsverwaltung GmbH, Vienna	100.00	31,421.89	-1,752.34	31.12.2018
Haftungsverbund GmbH, Vienna	0.97	720,340.00	1,140.00	31.12.2019
IPS Fonds Gesellschaft bürgerlichen Rechts, Vienna	31,78	150,006,474.00	7,372.00	31.12.2019
OM Objektmanagement GmbH, Vienna	100.00	44,518,750.00	-2,046,374.00	31.12.2019
Österreichische Wertpapierdaten Service GmbH, Vienna	32.50	202,780.73	41,255.99	31.12.2018
Procurement Services GmbH, Vienna	99.80	1,010,629.00	295,216.00	31.12.2019
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A., Amsterdam	77.38	8,138,603.00	-699,523.00	31.12.2018
s IT Solutions AT Spardat GmbH, Vienna	25.00	40,935,094.00	16,312,015.00	31.12.2019
Society for Worldwide Interbank Financial Telecommunication scrl, La Hulpe	0.20	417,465,149.00	23,959,510.00	31.12.2018
TAUROS Capital Investment GmbH & Co KG, Vienna	40,00	1,081,646.52	-393,353.48	31.12.2018
TAUROS Capital Management GmbH, Vienna	49.00	217,342.35	117,342.35	31.12.2018
Therme Wien GmbH & Co KG , Vienna	15.00	29,347,488.82	1,389,890.82	31.12.2018
WE.TRADE INNOVATION DESIGNATED ACTIVITY COMPANY, Dublin	8.52	4,042,005.32	-3,545,411.78	31.12.2018
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	2.15	501,899,814.23	79,867,513.82	31.12.2018

In 2016, the European Bank for Reconstruction and Development (EBRD) and Corvinus Nemzetközi Befektetési Zártkörüen Müködö Részvénytársaság (Corvinus) each acquired 15% of the shares in Erste Bank Hungary Zrt. (EBH) from Erste Group Bank AG. At the same time, call-put option agreements were entered into for the acquisition of the overall 30% of the shares between Erste Group Bank AG and

the EBRD and with Corvinus. Due to the different structures of these option agreements, 15% of the shares that were sold to the EBRD are still included as investments in affiliated companies in the Erste Group Bank AG's annual financial report, at the same time a financial liability in the value of the expected exercise price is accounted for. For the remaining part (Corvinus), the put-call agreements were recognised off-balance as options.

10. Fixed assets

The carrying amount of developed land was EUR 6,725,907.35 as of 31 December 2019 (prior year: EUR 6,726 thousand). The carrying amount as of 31 December 2019 did not include leased assets. For the next financial year, Erste Group Bank AG will have expenses from the use of tangible assets not disclosed in the balance sheet (rental and leasing contracts) of EUR 16,774,373.34 (prior year: EUR 16,551 thousand), and of EUR 82,958,553.52 for the next five financial years (prior year: EUR 85,661 thousand). Intangible fixed assets include assets with a value of EUR 3,555,005.00 (prior year: EUR 6,381 thousand) that have been acquired from an affiliated company. During the reporting year no such assets were acquired (prior year: EUR 5,800 thousand).

Statement of changes in fixed and long-term assets 2019

At cost

in EUR	As of 1 January 2019	Additions	Disposals	Reclassification	Currency translation (+/-)	As of 31 December 2019
Participating interests	210,259,917.65	4,865,525.82	3,989,065.32	0.00	0.00	211,136,378.15
Shares in affiliated companies	10,849,876,408.83	40,872,046.35	29,257,071.88	0.00	0.00	10,861,491,383.30
Intangible assets	94,596,099.69	4,938,283.35	1,199.37	0.00	27,398.75	99,560,582.42
Tangible assets	75,143,473.55	18,401,721.93	154,408.85	0.00	171,902.68	93,562,689.31
Securities	**8,085,374,693.57**	**6,560,752,284.73**	**6,061,319,852.79**	**0.00**	**7,347,302.22**	**8,592,154,427.72**
Treasury bills and similar securities	3,644,463,185.23	539,856,153.83	797,178,243.76	0.00	-199,742.64	3,386,941,352.66
Loans and advances to credit institutions	1,110,475,030.76	4,065,092,273.92	4,549,941,895.32	0.00	1,207,386.95	626,832,796.32
Loans and advances to customers	591,031,490.27	347,886,439.71	37,993,965.33	82,230,567.98	378,818.86	983,533,351.48
Bonds and other fixed-income securities	2,031,025,343.64	1,257,917,839.25	628,905,748.38	-82,230,567.98	5,960,839.05	2,583,767,705.57
Shares and other non-fixed-income securities	708,379,643.67	349,999,578.02	47,300,000.00	0.00	0.00	1,011,079,221.69
Total	**19,315,250,593.29**	**6,629,829,862.18**	**6,094,721,598.21**	**0.00**	**7,546,603.65**	**19,857,905,460.90**

Accumulated depreciation

in EUR	Accumulated write ups / downs As of 1 January 2019	Write-ups (-)	Write-downs (+)	Accumulated write-ups / -downs Additions / Disposals (-/+)	Currency translation (+/-)	Accumulated write ups / downs As of 31 December 2019
Participating interests	51,333,850.70	4,422,000.00	36,861,267.19	0.00	0.00	83,773,117.89
Shares in affiliated companies	4,193,184,030.86	727,018,427.48	20,205,126.72	-14,257,070.88	0.00	3,472,113,659.22
Intangible assets	68,670,180.53	0.00	7,687,312.16	-1,199.37	27,475.08	76,383,768.40
Tangible assets	32,701,943.64	0.00	2,397,447.86	-153,465.29	95,627.45	35,041,553.66
Securities	**172,254,572.83**	**6,609,946.52**	**24,135,265.06**	**-83,687,106.92**	**-20,194,032.79**	**85,898,751.65**
Treasury bills and similar securities	163,008,394.96	2,193,607.85	22,062,577.24	-79,119,120.10	-532,676.87	103,225,567.38
Loans and advances to credit institutions	11,118,443.80	359,883.05	116,911.82	1,531,153.58	-2,602,263.35	9,804,362.80
Loans and advances to customers	-2,616,328.00	2,893,688.34	238,887.77	-4,022,486.89	-8,476,948.85	-17,770,564.31
Bonds and other fixed-income securities	259,144.56	986,490.46	1,691,939.56	-2,067,201.82	-8,582,143.72	-9,684,751.88
Shares and other non-fixed-income securities	484,917.51	176,276.82	24,948.66	-9,451.69	0.00	324,137.66
Total	**4,518,144,578.56**	**738,050,374.00**	**91,286,418.99**	**-98,098,842.46**	**-20,070,930.26**	**3,753,210,850.82**

Carrying amount

in EUR	Clean Price	Contractual interest accrual	As of 31 December 2019	As of 1 January 2019
Participating interests	127,363,260.26	0.00	127,363,260.26	158,926,066.95
Shares in affiliated companies	7,389,377,724.08	0.00	7,389,377,724.08	6,656,692,377.97
Intangible assets	23,176,814.02	0.00	23,176,814.02	25,925,919.16
Tangible assets	58,521,135.65	0.00	58,521,135.65	42,441,529.91
Securities	**8,506,255,676.07**	**72,402,449.62**	**8,578,658,125.69**	**7,995,315,949.48**
Treasury bills and similar securities	3,283,715,785.28	40,691,066.49	3,324,406,851.77	3,537,253,789.42
Loans and advances to credit institutions	617,028,433.52	1,141,789.01	618,170,222.53	1,102,273,132.50
Loans and advances to customers	1,001,303,915.79	7,624,860.48	1,008,928,776.27	597,675,285.44
Bonds and other fixed-income securities	2,593,452,457.45	16,585,227.39	2,610,037,684.84	2,044,416,064.09
Shares and other non-fixed-income securities	1,010,755,084.03	6,359,506.26	1,017,114,590.29	713,697,678.03
Total	**16,104,694,610.08**	**72,402,449.62**	**16,177,097,059.70**	**14,879,301,843.47**

The additions and disposals in the amount of approximately EUR 4 billion under the item loans and advances to credit institutions resulted from certificates of deposit with a maturity within 1 month, which were increasingly granted by the New York branch in the reporting year 2019.

11. Other assets

in EUR or in EUR thousand	Dec 19	Dec 18
Securities transactions	27,800,163.24	5,841
Derivatives	3,322,937,343.10	3,599,559
Accrued income	7,265,862.73	7,206
Receivables from participating interests and affiliated companies	74,178,191.45	109,683
Other payments and settlements	161,606,077.64	158,016
Other assets	**3,593,787,638.16**	**3,880,304**

In the balance sheet item other assets derivatives with the carrying amount of EUR 1,688,563,887.09 (prior year: EUR 1,240,402 thousand) resp. in the balance sheet item loans to credit institutions trades are offset in the amount of EUR 57,397,627.55 (prior year: EUR 33,354 thousand).

12. Accrued and deferred items

Prepayments and accrued income decreased to EUR 143,156,478.79 as of 31 December 2019 (prior year: EUR 167,997 thousand). Of these, EUR 90,237,025.42 (prior year: EUR 101,977 thousand) were accruals in connection with securities and derivative instruments and EUR 47,213,113.17 (prior year: EUR 59,294 thousand) were prepayments on commissions.

13. Deferred tax assets

In accordance with Section 198 Paragraph 9 of the Austrian Commercial Code (UGB) an amount of EUR 150,348,586.55 (prior year: EUR 57,011 thousand) deferred tax assets have been accounted for in 2019 based on recognition of tax losses (EUR 86,847,347.21, prior year: EUR 0 thousand) and temporary differences between the book values (EUR 63,501,239.34, prior year: EUR 57,011 thousand). The increase in deferred tax assets in comparison to the prior year is attributable to higher anticipated tax results in the plan years. The option of recognising tax losses is taken as according to the multiannual plan as future taxable profits are expected against which tax loss carryforwards can be offset and therefore from today`s perspective a tax benefit seems to be feasible. Those local tax rates, which are legally enforceable at the time of the preparation of the financial statements, are used for the calculation of deferred taxes (Austria: 25.0%, Hongkong: 16.5%).

14. Securitised liabilities

in EUR or in EUR thousand	Dec 19	Dec 18
Non-covered and bank bonds	5.856.441.233,04	5,381,679
Mortgage and municipal bonds	12.219.578.862,99	10,896,841
Certificates of deposits	78.398.066,47	860,435
Securitised liabilities	**18.154.418.162,50**	**17,138,955**

Erste Group Bank AG issues commercial papers and certificates of deposit for the US money market via the New York branch and the fully consolidated subsidiary Erste Finance Delaware LLC. The New York branch`s Dollar Certificates of Deposit Program had reached EUR 38,292,423.31 on 31 December 2019 (prior year: EUR 401,871 thousand). The Dollar Commercial Paper Program of Erste Finance Delaware LLC is fully secured by Erste Group Bank AG. The framework program amounted to EUR 6,676,161,652.13 on 31 December 2019, of which commercial papers are in circulation in the amount of EUR 1,373,349,190.74 (prior year: EUR 1,995,187 thousand) for which the issue amount was immediately transferred to Erste Group Bank AG and are recognised in the item liabilities to customers.

15. Other liabilities

in EUR or in EUR thousand	Dec 19	Dec 18
Securities transactions	9,283,981.55	20,049
Derivatives	2,995,771,921.88	2,981,668
Accrued income	2,356,932.07	2,276
Other liabilities and settlements	682,479,247.97	775,408
Other liabilities	**3,689,892,083.47**	**3,779,401**

In the balance sheet item other liabilities derivatives with the carrying amount of EUR 1,715,000,974.85 (prior year: EUR 1,269,794 thousand) resp. in the balance sheet item liabilities to credit institutions trades are offset in the amount of EUR 30,960,539.79 (prior year: EUR 3,962 thousand).

16. Provisions

in EUR or in EUR thousand	Dec 19	Dec 18
Provisions for pensions	317,036,562.17	298,187
Provisions for taxation	9,082,324.00	13,156
Provisions for contingent liabilities	33,246,789.46	35,699
Provisions for negative market values of standalone derivatives without hedge relationships	99,647.14	16,220
Other	130,728,358.36	121,797
Provisions	**490,193,681.13**	**485,059**

Assumptions for the actuarial calculation of pension entitlements

	Dec 19	Dec 18
Interest rate	0.95%	1.92%
Expected increase in pension benefits (including career- and collective agreement trend)	2.00%	1.80%

The expected retirement age was individually calculated per employee due to the amendments determined in the Ancillary Budget Act 2003 (BGBl I 71/2003) concerning the raising of the earliest possible retirement age. The currently applicable legislation specifiying a gradual rise of the retirement age for men and women to 65 was taken into consideration. An interest rate of 3.37% (prior year: 4.23%) was used for the calculation of pension obligations in the NY branch.

Assumptions for the actuarial calculation of severance entitlements and jubilee benefits

	Dec 19	Dec 18
Interest rate	0.95%	1.92%
Average salary rise (including career- and collective agreement trend)	2.90%	2.70%

The obligations were calculated in accordance with the Association of Actuaries' (AVÖ) mortality table "AVÖ 2018 – Rechnungsgrundlagen für die Pensionsversicherung". Severance obligations have been outsourced to Wiener Städtische Versicherung AG since 2007. Severance entitlements measured in accordance with commercial law and based on the above parameters amount to EUR 49,742,373.41 (prior year: EUR 43,485 thousand), respectively EUR 17,124,044.77 (prior year: EUR 14,431 thousand) for jubilee benefits obligations, and are posted as a contingent liability off-balance. The credit intended for the performance of outsourced severance entitlements with the insurer as of 31 December 2019 amounted to EUR 49,742,373.41 (prior year: EUR 43,485 thousand) and the amount defined for jubilee benefits obligations is EUR 17,124,044.77 (prior year: EUR 14,431 thousand). The outsourcing of severance/jubilee benefits entitlements to Wiener Städtische Versicherung AG has not resulted in any change to employee claims against Erste Group Bank AG, which continues to be liable for the severance entitlements of eligible employees.

17. Subordinated liabilities

Subordinated debt (subordinated liabilities and supplementary capital) amounted to EUR 7,105,391,684.75 as of 31 December 2019 (prior year: EUR 5,815,840 thousand). No subordinated liability taken by Erste Group Bank AG (including supplementary capital) was above the 10% limit for total subordinated liabilities. The terms of all subordinated liabilities in the value of EUR 5,064,549,015.19 (prior year: EUR 4,799,400 thousand) are in compliance with the requirements set forth in section 62 until 71 CRR (corresponds to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2019). EUR 502,654,353.71 were issued in 2019 as non-preferred senior bonds and are disclosed in position Securitised liabilities.

Movements in total subordinated liabilities were as follows:

in EUR or in EUR thousand	1-12 19	1-12 18
Opening balance	**5,815,840,156.68**	**6,168,062**
Increase due to new issues	1,637,389,450.89	114,474
Decrease due to redemption	-228,698,901.38	-498,026
Decrease due to partial extinguishment	-266,512,524.79	0
Changes in carrying amount of bonds, of accrued interest and of FX valuation	147,373,503.34	31,331
Closing balance	**7,105,391,684.75**	**5,815,840**

Supplementary capital liabilities are primarily issued in the form of securities. The securities are due at the end of the term. Supplementary capital bonds are sold to international institutional customers and private customers.

In the upcoming year, securitised supplementary capital liabilities in the value of EUR 656,358,934.82 (prior year: EUR 228,683 thousand) are due for repayment due to maturity.

The weighted average interest rate of supplementary capital bonds was 4.4% on 31 December 2019 (prior year: 4.3%) and the average remaining term was 4.6 years (prior year: 4.5 years).

The term “subordinated” is defined in accordance with section 45 paragraph 4 and section 51 paragraph 9 of the Austrian Banking Act.

In 2019, Erste Group Bank AG's expenses for subordinated liabilities were EUR 316,965,148.64 (prior year: EUR 290,006 thousand).

18. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013

As of the 2019 balance sheet date, the carrying amount of supplementary capital is EUR 5,064,549,015.19 (prior year: EUR 4,799,400 thousand). Thereof the repurchased supplementary capital from own issues of Erste Group Bank AG with a carrying amount including accrued interest receivables in the amount of EUR 29,360,484.09 (prior year: EUR 0).

19. Additional core capital

In 2019 Erste Group Bank AG issued another bond in the scope of its Additional Tier 1 program amounting to EUR 500,000,000.00 (prior year: EUR 0).

Article 52 (1) lit n CRR provides for the loss absorbency of financial instruments of additional core capital (write-down or conversion). A trigger event for the write-off or conversion of additional core capital is deemed to occur according to Article 54 Section 1 lit a CRR if the core capital ratio of the issuer falls below 5.125% or below another higher value defined by the issuer. In 2019 no write-downs occured.

20. Subscribed capital

Subscribed capital on 31 December 2019 was EUR 859,600,000.00 (prior year: EUR 859,600 thousand), represented by 429,800,000 voting bearer shares (ordinary shares). Erste Group Bank AG held no own shares on the balance sheet date.

21. Authorised and conditional capital as of 31 December 2019

Authorised capital

According to clause 5 of the Articles of Association, the management board is authorised to increase the registered capital of the Company until 24 May 2023 subject to the supervisory board’s consent - also in several tranches - by an amount of up to EUR 343,600,000.00 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 issuing conditions being determined by the management board subject to the supervisory board's consent.

Furthermore, the management board is authorised to fully or partly exclude the shareholders' statutory subscription right subject to the supervisory board's consent (exclusion of the subscription right):

- if the capital increase is in return for a cash contribution and the shares issued to the exclusion of the subscription right of the shareholders, taken together, do not exceed EUR 43,000,000.00; and/or
- if the capital increase is in return for contributions in kind.

These two measures may also be combined. However, the aggregate pro rata amount of registered capital represented by shares for which the shareholders' subscription rights are excluded under the referenced authorisation, together with the pro rata amount of registered capital attributable to shares issued to creditors of convertible bonds, which had been issued and sold after the beginning of 24 May 2018, in order to grant conversion or subscription rights or fulfil obligations must not exceed the amount of EUR 171,920,000.00.

Conditional Capital

Pursuant to clause 6.3 of the Articles of Association, conditional capital based on the management board resolutions in 2002 and 2010 (both approved by the supervisory board) with a nominal value of EUR 21,923,264.00 persists, which can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares 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. According to clause 6.4 of the Articles of Association, the Company has additional conditional capital from the general meeting's resolution of 12 May 2009 of EUR 124,700,000.00 from the issuance of up to 62,350,000 ordinary bearer shares. This conditional capital serves to grant conversion or subscription rights to investors of convertible bonds. In the case of a specified conversion obligation in the terms of issue of convertile bonds, it should also serve to fulfil this conversion obligation. The issue amount and conversion ratio are to be determined according to financial calculation methods as well as the company's share prices in a recognised pricing procedure.

Authorized conditional capital

According to clause 7 of the Articles of Association no authorisation currently exists to grant conditional capital.

22. Major shareholders

As of 31 December 2019, together with its syndicate partners, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ("ERSTE Stiftung"), a foundation, controls approx. 30.39% (prior year: 29.99%) of the shares in Erste Group Bank AG and with 16.46% (prior year: 16.21%) is the main shareholder. The ERSTE Stiftung holds 6.37% (prior year: 6.49%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to around 10.09% (prior year: 9.72%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 0.93% (prior year: 0.78%) are held directly by savings bank foundations (Sparkassenstiftungen) respectively saving banks foundations acting together with the ERSTE Stiftung and affiliated with Erste Group Bank AG through the joint liability scheme/IPS fund. 9.92% (prior year: 9.92%) of the subscribed capital is controlled by the ERSTE Stiftung on the basis of a shareholder agreement with Caixabank S.A. 3.08% (prior year: 3.08%) are held by other partners to the shareholder agreement.

In 2019 (for the fiscal year 2018), a dividend in the amount of EUR 67,496,738.40 (prior year: EUR 57,494 thousand) was paid for the investment of the ERSTE Stiftung in the Erste Group Bank AG. The purpose of the ERSTE Stiftung, to be achieved notably by way of holding interests in Erste Group Bank AG, is to support social, scientific, cultural as well as charitable institutions and to promote the guiding principles of the savings bank philosophy. As of 31 December 2019, Mario Catasta (chairman), Boris Marte (deputy chairman) and Franz Portisch were appointed as board members. The ERSTE Stiftung's supervisory board had eight members at the end of 2019, two of whom also serve as members of the supervisory board of Erste Group Bank AG. In accordance with clause 15.1 of the Articles of Association, and for the time in which the ERSTE Stiftung assumes liability for all current and future debts in the event of their default on payment, it is entitled, pursuant to section 92 (9) Austrian Banking Act, to nominate up to one-third of the supervisory board members for election at the annual general meeting. So far, the ERSTE Stiftung has not exercised this right.

The ERSTE Stiftung held as of 31 December 2019 bonds of Erste Group Bank AG in the amount of EUR 6,633,875.00 (prior year: EUR 9,163 thousand). In 2019, the interest expenses of Erste Group Bank AG from announced bonds held amounted to EUR 304,347.59 (prior year EUR 318 thousand) for the reporting period. With the exception of the facts already mentioned in this section, there were, as in the prior year, no further business relations between Erste Group Bank AG and ERSTE Stiftung.

As of 31 December 2019, CaixaBank S.A., which is based in Valencia, Spain held a total of 42,634,248 Erste Group Bank AG shares (prior year: 42,634,248 shares), which is equivalent to 9.92% (prior year: 9.92%) of the subscribed capital of Erste Group Bank AG. In accordance with the syndicate agreement with the other major shareholders of the bank, CaixaBank may nominate two supervisory board members. Jordi Gual Solé (chairman of the board at CaixaBank S.A.) has held one of these seats since the general meeting in 2017, while the second supervisory board mandate has been exercised by Matthias Bulach (Head of Financial Accounting, Control and Capital, CaixaBank S.A.) since the general meeting on 15 May 2019.

In 2019, for their involvement in Erste Group Bank AG, CaixaBank S.A. received a dividend in the amount of EUR 59,687,947.20 (prior year: EUR 51,161 thousand) (for the fiscal year 2018).

23. Reserves

In 2019, the reserves of Erste Group Bank AG developed as follows:

in EUR	As of Dec 18	Addition/ Allocations (+)	Releases (-)	As of Dec 19
Capital reserves	**1,627,019,510.67**	**1,085,375.30**	**0.00**	**1,628,104,885.97**
committed	1,627,019,510.67	1,085,375.30	0.00	1,628,104,885.97
uncommitted	0.00	0.00	0.00	0.00
for own shares and shares in a controlling company	0.00	0.00	0.00	0.00
Retained earnings	**3,665,527,880.71**	**682,705,661.04**	**0.00**	**4,348,233,541.75**
statutory reserve	1,537,900,000.00	0.00	0.00	1,537,900,000.00
reserves provided for by the articles	0.00	0.00	0.00	0.00
other reserves	2,030,514,327.07	581,795,315.67	0.00	2,612,309,642.74
blocked reserves	97,113,553.64	100,910,345.37	0.00	198,023,899.01
Reserve pursuant to section 57 (5) of the Austrian Banking Act (BWG)	**851,000,000.00**	**0.00**	**0.00**	**851,000,000.00**

From the sale and purchase of own shares, Erste Group Bank AG achieved capital gains in the amount of 1,085,375.30 EUR (prior year: EUR 0 thousand), which were recorded as an addition in committed capital reserves in accordance with section 229 (1) sentence 3 of the Austrian Commercial Code.

The allocation of retained earnings amounted to EUR 682,705,661.04 (prior year: EUR 335,316 thousand) and concerned other reserves amounting to EUR 581,795,315.67 (prior year: EUR 332,068 thousand) as well as blocked reserves amounting to EUR 100,910,345.37 (prior year: EUR 3,247 thousand). The latter includes the ex-ante-fund (see note 24) in the amount of EUR 7,572,397.04 (prior year: EUR 7,203 thousand), deferred tax assets from New York branch of EUR 822,900.63 (prior year: EUR -8,518 thousand), deferred tax assets from Hong Kong branch of EUR 558,336.53 (prior year: EUR -1,162 thousand) and domestic deferred tax assets of EUR 91,956,711.17 (prior year: EUR 5,724 thousand).

In 2019, other restricted reserves have been renamed to blocked reserves because they do not qualify as restricted reserves according to § 229 (7) UGB. These reserves contain the entity's contribution to the ex-ante fund, which at member level does not qualify as capital under article 26 (1) CRR, and items that are non-distributable according to § 235 (2) UGB. Blocked reserves are presented separately from other components of equity because of their limited access rights.

24. Recovery & Resolution Fund, deposit guarantee fund, IPS fund

Recovery & Resolution Fund

EU directive 2014/59/EU (Bank Recovery and Resolution Directive, BRRD) was transposed into Austrian law via the Austrian Banking Restructuring and Resolution Act (BaSAG). BaSAG became effective on 1 January 2015. The law governs a number of aspects, including the creation of financing mechanisms for the resolution of credit institutions that provide for the annual payment of contributions by banks to a joint European recovery and resolution fund (Single Resolution Fund, SRF).

BaSAG defines the target level of the Austrian Recovery & Resolution Fund and the contribution payable by the Austrian credit institutions. The law requires that the Recovery & Resolution Fund be endowed with at least 1% of the secured deposits of all credit institutions authorised in Austria by 31 December 2024. Therefore, the fund shall be set up over a period of 10 years and, to the extent practicable, contributions will be equally distributed over the entire period.

The contributions to be made by the credit institutions are calculated as a ratio of their respective liabilities (exclusive of own funds) less secured deposits to the aggregate liabilities (exclusive of own funds) less secured deposits of all institutions authorised in Austria, distributed over a period of 10 years. Furthermore, these contributions will be weighted in accordance with the risk profile of the credit institution. The amount payable as contribution is thus determined not only by the respective credit institution's unsecured liabilities, but also significantly influenced by the unsecured liabilities held by all Austrian institutions and the risk weighting. The resolution authority is tasked with determining the risk weighting. In 2019, Erste Group Bank AG paid EUR 17,601,761.61 (prior year: EUR 17,471 thousand), which is included in the item other operating expenses.

Deposit guarantee fund

The deposit guarantee scheme, based on an EU directive (2014/49/EU), serves to protect customer deposits held at credit institutions. This EU directive was transposed into national law in Austria by way of the Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG), and came into effect on 14 August 2015.

Every guarantee scheme has its own deposit guarantee fund consisting of available financial resources amounting to no less than 0.8% of the sum total of covered deposits held at the member institutions (target level). This target level is to be achieved over a period of 10 years.

As long as the target level has not been reached, the guarantee schemes will require their member institutions to pay an annual contribution. The contributions payable by the member institutions are calculated on the basis of the volume of covered deposits (0.8% of the covered deposits distributed over a 10-year period) and are determined in relation to the nature of the risks to which each relevant member institution is specifically exposed. The method used to determine the risk weighting must be approved by the FMA. In 2019, Erste Group Bank AG paid a total of EUR 45,185.59 (prior year: EUR 28 thousand), which is included in the item other administrative expenses.

IPS fund (ex-ante-fund)

The IPS fund is an ex-ante-fund of joint liability scheme's institutional guarantee system (IPS) that is intended to secure financial support to joint liability scheme members facing economic difficulties. The IPS fund is a "Gesellschaft bürgerlichen Rechts" (IPS Fonds GesBR - a partnership under civil law) – the low-risk, readily available investment of the ex-ante-fund is recognised as a special asset. Shareholders with a stake in the assets are Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG and all other savings banks that subscribe to the institutional guarantee system. Joint liability scheme GmbH is an active partner but not obliged to make a capital contribution.

The plan is to provide the ex-ante-fund with EUR 250 million over a period of 10 years, i.e. by 30 September 2024. Partners are obliged to pay EUR 25 million a year, payable in quarterly installments. Haftungsverbund GmbH is tasked with determining the amount of the respective payment due. The schedule of contributions as defined in the second Supplementary Agreement has been set up both on the basis of the distribution key specified under sec. 7 (1) Agreement in Principle (total risk) and on the basis of the distribution key specified under sec. 12 (1) Agreement in Principle ("Amounts owed to customers" plus 50% of the item "Securitised liabilities"), in equal terms. The contributions (deposits) are to be taken from the annual financial result, with other reserves being released where necessary. Erste Group Bank AG created a reserve of EUR 7,572,397.04 (prior year: EUR 7,203 thousand) in 2019, which corresponds to the amount of the contributions made (deposits).

25. Own funds and capital requirement

These unconsolidated financial statements of Erste Group Bank AG have yet to be approved by the supervisory board. Erste Group Bank AG is in compliance with the transitional provisions concerning capital requirements, market risk and credit risk set forth by Austria's accompanying CRR ordinance as well as EU Regulation No. 2016/445 of the European Central Bank concerning the use of options and discretions available in European Union Law, EZB/2016/4.

Own funds

Capital structure according to Regulation (EU) No 575/2013 (CRR)		CRR	
in EUR or in EUR thousand	Article pursuant to CRR	Dec 19	Dec 18
Common equity tier 1 capital (CET1)			
Capital instruments eligible as CET1	26 (1) (a) (b), 27-30, 36 (1) (f), 42	2,486,619,510.67	2,486,620
Own CET1 instruments	36 (1) (f), 42	-2,615,682.99	-34,636
Retained earnings	26 (1) (c), 26 (2)	5,151,558,229.29	4,476,425
Interim loss	36 (1) (a)	0.00	0
Other reserves	4 (117), 26 (1) (e)	0.00	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	0.00	0
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	0.00	0
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-1,660,946.11	-2,448
Value adjustments due to the requirements for prudent valuation	34, 105	-11,524,400.47	-10,714
Regulatory adjustments relating to unrealised gains and losses	467, 468	0.00	0
Other intangible assets	4 (115), 36 (1) (b), 37 (a)	-23,176,814.02	-25,926
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-86,847,347.21	0
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-2,064,781.41	-6,539
Excess of deduction from AT1 items over AT1	36 (1) (j)	0.00	0
Common equity tier 1 capital (CET1)	**50**	**7,510,287,767.75**	**6,882,781**
Additional tier 1 capital (AT1)			
Capital instruments eligible as AT1	51 (a), 52-54, 56 (a), 57	1,500,000,000.00	1,000,000
Own AT1 instruments	52 (1) (b), 56 (a), 57	-1,500,000.00	-1,500
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0.00	0
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5),484-487,489,491	0.00	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (27), 56 (d), 59, 79	0.00	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0.00	0
Additional tier 1 capital (AT1)	**61**	**1,498,500,000.00**	**998,500**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier1 (AT1)		**9,008,787,767.75**	**7,881,281**
Tier 2 capital (T2)			
Capital instruments and subordinated loans eligible as T2	62 (a), 63-65, 66 (a), 67	3,458,264,207.65	3,481,595
Own T2 instruments	63 (b) (i), 66 (a), 67	-38,737,438.71	-29,314
Instruments issued by subsidiaries recognised in T2	87, 88	0.00	0
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0.00	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	29,119,676.04	38,826
IRB excess of provisions over expected losses eligible	62 (d)	47,915,752.38	41,625
Standardised approach general credit risk adjustments	62 (c)	0.00	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (27), 66 (d), 68, 69, 79	0.00	-275
Tier 2 capital (T2)	**71**	**3,496,562,197.36**	**3,532,456**
Total own funds		**12,505,349,965.11**	**11,413,738**
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**32,819,608,190.47**	**32,235,317**
Common Equity Tier 1 capital ratio	**92 (2) (a)**	**22.88%**	**21.35%**
Tier 1 capital ratio	**92 (2) (b)**	**27.45%**	**24.45%**
Total capital ratio	**92 (2) (c)**	**38.10%**	**35.41%**

Capital Requirements

Risk structure according to Regulation (EU) No 575/2013 (CRR) in EUR or in EUR thousand	Article pursuant to CRR	Dec 19 Calculation base /total risk (phased-in)	Dec 19 Capital requirement (phased-in)	Dec 18 Calculation base /total risk	Dec 18 Capital requirement
Total Risk Exposure Amount	92 (3), 95, 96, 98	32,819,608,190.47	2,625,568,655.24	32,235,317	2,578,825
Risk weighted assets (credit risk)	92 (3) (a) (f)	27,879,827,135.76	2,230,386,170.86	27,012,633	2,161,011
Standardised approach		6,102,958,989.19	488,236,719.14	6,492,484	519,399
IRB approach		21,775,238,433.69	1,742,019,074.70	20,520,149	1,641,612
Default fund contributions to a central counterparty		1,629,712.88	130,377.03	0	0
Settlement Risk	(3) (c) (ii), 92 (4) (b)	163,518.00	13,081.44	38	3
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) und (iii), 92 (4) (b)	3,245,855,141.14	259,668,411.29	3,572,772	285,822
Operational Risk	92 (3) (e), 92 (4) (b)	1,067,924,793.63	85,433,983.49	1,015,021	81,202
Exposure for CVA	92 (3) (d)	625,560,414.25	50,044,833.14	634,852	50,788
sonstige Forderungsbeträge (regulatorischer Add-On)		277,187.69	22,175.02	0	0
Other exposure amounts incl. Basel 1 floor	3, 458, 459, 500	0.00	0.00	0	0

For the preparation of consolidated capital and consolidated capital requirements, reference is made to the respective statements in the 2019 consolidated financial statements of Erste Group.

26. List of assets pledged as collateral for liabilities (acc. to section 64 [1] no. 8 Austrian Banking Act)

Assets in EUR or in EUR thousand	Dec 19	Dec 18	Liability description	Balance sheet item
OeNB asset pool (tender)				
Fixed-income securities	500,000,000.00	1,385,767	Refinancing by OeNB / ECB	Liability 1
Total	**500,000,000.00**	**1,385,767**		
Collateral pool for covered Erste Bank bonds				
Fixed-income securities	754,065,683.55	848,967	Covered Erste Bank bonds	Liability 3
Collateral pool for municipal and mortgage bonds				
Loans and advances to customers	648,319,175.10	555,814	Issued municipal and mortgage bonds	Liability 3
Fixed-income securities	120,867,356.70	101,133	Issued municipal and mortgage bonds	Liability 3
Total	**1,523,252,215.35**	**1,505,915**		
Cash Collateral for OTC-derivatives	391,515,506.66	386,057	Other liabilities	Liability 4
Cash Collateral for exchange traded derivatives	19,732,219.04	15,045	margin requirement	
Blocked securities account as collateral for OTC- and exchange traded derivatives	285,943,782.35	288,301	Other liabilities / margin requirement	Liability 4
Blocked securities account as collateral with Österreichische Kontrollbank AG				
Fixed-income securities	0.00	21,026	Margin requirement	
Total	**697,191,508.04**	**710,429**		
Coverage for the pension provisions				
Pension provisions § 11 BPG	158,518,281.09	143,391	Coverage for the pension provisions	Liability 6
Total	**158,518,281.09**	**143,391**		
Pledge agreements				
Money market loan	120,000,000.00	216,400	Guarantees and contingent liabilities pledged as collateral	
Securities loan	162,570,274.68	0	Guarantees and contingent liabilities pledged as collateral	
Total	**282,570,274.68**	**216,400**		
Aggregate Total	**3,161,532,279.16**	**3,961,900**		

27. Total volume of unsettled derivatives

Dec 19 in EUR	Time to maturity for notional amounts < 1 years	1-5 years	> 5 years	Total
Interest rate contracts	**43,748,257,963.67**	**80,682,201,219.62**	**44,760,427,960.36**	**169,190,887,143.65**
OTC products	43,580,802,968.46	80,682,201,219.62	44,760,427,960.36	169,023,432,148.44
Options	2,616,422,810.99	5,911,247,901.50	2,405,981,481.70	10,933,652,194.19
Other (f.i.: Interest rate swaps)	40,964,380,157.47	74,770,953,318.12	42,354,446,478.66	158,089,779,954.25
Exchange-traded products	167,454,995.21	0.00	0.00	167,454,995.21
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	167,454,995.21	0.00	0.00	167,454,995.21
Securities related contracts	**2,095,893,340.10**	**14,728,463,341.25**	**1,150,598,467.22**	**17,974,955,148.57**
OTC products	1,993,915,008.28	14,689,888,341.25	1,150,598,467.22	17,834,401,816.75
Options	1,850,634,888.71	4,743,253,148.21	413,688,002.56	7,007,576,039.48
Other (f.i.: Stock swaps)	143,280,119.57	9,946,635,193.04	736,910,464.66	10,826,825,777.27
Exchange-traded products	101,978,331.82	38,575,000.00	0.00	140,553,331.82
Options	43,968,670.00	38,575,000.00	0.00	82,543,670.00
Other (f.i.: Futures)	58,009,661.82	0.00	0.00	58,009,661.82
Currency contracts	**64,624,144,098.00**	**13,817,553,527.36**	**1,726,523,136.34**	**80,168,220,761.70**
OTC products	64,579,297,970.17	13,817,553,527.36	1,726,523,136.34	80,123,374,633.87
Options	4,062,923,233.41	453,191,198.29	0.00	4,516,114,431.70
Other (f.i.: Currency swap)	60,516,374,736.76	13,364,362,329.07	1,726,523,136.34	75,607,260,202.17
Exchange-traded products	44,846,127.83	0.00	0.00	44,846,127.83
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	44,846,127.83	0.00	0.00	44,846,127.83
Credit derivatives	**196,141,694.85**	**957,282,825.27**	**146,102,000.00**	**1,299,526,520.12**
OTC products	196,141,694.85	957,282,825.27	146,102,000.00	1,299,526,520.12
Credit Default Options	0.00	0.00	0.00	0.00
Other (f.i.: Credit Default Swaps)	196,141,694.85	957,282,825.27	146,102,000.00	1,299,526,520.12
Exchange-traded products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Commodity contracts	**9,745,326.69**	**0.00**	**0.00**	**9,745,326.69**
OTC products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other (f.i.: Commodity swaps)	0.00	0.00	0.00	0.00
Exchange-traded products	9,745,326.69	0.00	0.00	9,745,326.69
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	9,745,326.69	0.00	0.00	9,745,326.69
Other	**94,518,000.00**	**78,500,000.00**	**869,390,421.53**	**1,042,408,421.53**
OTC products	94,518,000.00	78,500,000.00	869,390,421.53	1,042,408,421.53
Options	94,518,000.00	54,500,000.00	165,000,000.00	314,018,000.00
Other (f.i.: Inflation swaps)	0.00	24,000,000.00	704,390,421.53	728,390,421.53
Exchange-traded products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00
Total	**110,768,700,423.31**	**110,264,000,913.50**	**48,653,041,985.45**	**269,685,743,322.26**
OTC products	**110,444,675,641.76**	**110,225,425,913.50**	**48,653,041,985.45**	**269,323,143,540.71**
Exchange-traded products	**324,024,781.55**	**38,575,000.00**	**0.00**	**362,599,781.55**

The presentation of the nominal values is made without netting of transactions with Central Counterparties.

Dec 18 in EUR thousand	Time to maturity for notional amounts < 1 years	1-5 years	> 5 years	Total
Interest rate contracts	**31,085,542**	**82,754,608**	**45,677,992**	**159,518,142**
OTC products	30,762,400	82,754,608	45,677,992	159,195,000
Options	3,298,978	10,569,404	4,476,636	18,345,018
Other (f.i.: Interest rate swaps)	27,463,421	72,185,204	41,201,357	140,849,982
Exchange-traded products	323,142	0	0	323,142
Options	0	0	0	0
Other (f.i.: Futures)	323,142	0	0	323,142
Securities related contracts	**1,491,599**	**13,804,099**	**834,267**	**16,129,964**
OTC products	1,316,787	13,803,387	834,267	15,954,440
Options	990,225	13,760,373	832,094	15,582,692
Other (f.i.: Stock swaps)	326,562	43,014	2,172	371,748
Exchange-traded products	174,812	712	0	175,524
Options	33,631	0	0	33,631
Other (f.i.: Futures)	141,180	712	0	141,892
Currency contracts	**56,020,171**	**13,103,197**	**2,011,354**	**71,134,721**
OTC products	55,975,648	13,103,197	2,011,354	71,090,199
Options	3,311,940	735,773	243,741	4,291,453
Other (f.i.: Currency swap)	52,663,709	12,367,424	1,767,612	66,798,745
Exchange-traded products	44,523	0	0	44,523
Options	0	0	0	0
Other (f.i.: Futures)	44,523	0	0	44,523
Credit derivatives	**60,688**	**549,068**	**108,380**	**718,136**
OTC products	60,688	549,068	108,380	718,136
Credit Default Options	0	0	0	0
Other (f.i.: Credit Default Swaps)	60,688	549,068	108,380	718,136
Exchange-traded products	0	0	0	0
Options	0	0	0	0
Other	0	0	0	0
Commodity contracts	**10,587**	**0**	**0**	**10,587**
OTC products	0	0	0	0
Options	0	0	0	0
Other (f.i.: Commodity swaps)	0	0	0	0
Exchange-traded products	10,587	0	0	10,587
Options	0	0	0	0
Other (f.i.: Futures)	10,587	0	0	10,587
Other	**141,000**	**121,838**	**857,697**	**1,120,535**
OTC products	141,000	121,838	857,697	1,120,535
Options	141,000	121,838	850,615	1,113,453
Other (f.i.: Inflation swaps)	0	0	7,083	7,083
Exchange-traded products	0	0	0	0
Options	0	0	0	0
Other	0	0	0	0
Total	**88,809,585**	**110,332,810**	**49,489,690**	**248,632,085**
OTC products	**88,256,522**	**110,332,098**	**49,489,690**	**248,078,310**
Exchange-traded products	**553,063**	**712**	**0**	**553,775**

28. Derivative financial instruments and fixed-asset financial instruments

Derivative financial instruments

Dec 19 in EUR	Notional amount		Carrying amount	Fair value	
		thereof sells	Assets (+)/Liabilities (-)	Positive	Negative
Interest rate contracts	**169,190,887,143.65**	**5,642,338,399.23**	**266,311,141.39**	**3,014,911,664.01**	**-2,380,832,959.16**
OTC products	169,023,432,148.44	5,642,338,399.23	266,311,141.39	3,014,911,664.01	-2,380,832,959.16
Options	10,933,652,194.19	5,642,338,399.23	-9,074,263.47	338,662,741.19	-347,074,416.21
Other (f.i.: Interest rate swaps)	158,089,779,954.25	0.00	275,385,404.86	2,676,248,922.82	-2,033,758,542.95
Exchange-traded products	167,454,995.21	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	167,454,995.21	0.00	0.00	0.00	0.00
Securities related contracts	**17,974,955,148.57**	**2,905,341,907.00**	**20,499,139.99**	**111,470,275.34**	**-100,604,860.34**
OTC products	17,834,401,816.75	2,905,341,907.00	20,080,119.49	109,979,885.34	-99,533,490.84
Options	7,007,576,039.48	2,905,341,907.00	31,660,759.25	81,713,348.00	-68,550,434.54
Other (f.i.: Stock swaps)	10,826,825,777.27	0.00	-11,580,639.76	28,266,537.34	-30,983,056.30
Exchange-traded products	140,553,331.82	0.00	419,020.50	1,490,390.00	-1,071,369.50
Options	82,543,670.00	0.00	419,020.50	1,490,390.00	-1,071,369.50
Other (f.i.: Futures)	58,009,661.82	0.00	0.00	0.00	0.00
Currency contracts	**80,168,220,761.70**	**2,360,616,893.35**	**-109,491,559.62**	**543,734,160.21**	**-661,592,504.42**
OTC products	80,123,374,633.87	2,360,616,893.35	-109,491,559.62	543,734,160.21	-661,592,504.42
Options	4,516,114,431.70	2,360,616,893.35	-7,487,532.58	18,904,657.63	-26,782,173.41
Other (f.i.: Currency swap)	75,607,260,202.17	0.00	-102,004,027.04	524,829,502.58	-634,810,331.01
Exchange-traded products	44,846,127.83	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	44,846,127.83	0.00	0.00	0.00	0.00
Credit derivatives	**1,299,526,520.12**	**27,740,696.99**	**-3,023,818.21**	**17,018,765.13**	**-11,488,464.83**
OTC products	1,299,526,520.12	27,740,696.99	-3,023,818.21	17,018,765.13	-11,488,464.83
Credit Default Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Credit Default Swaps)	1,299,526,520.12	27,740,696.99	-3,023,818.21	17,018,765.13	-11,488,464.83
Exchange-traded products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
Commodity contracts	**9,745,326.69**	**0.00**	**0.00**	**0.00**	**0.00**
OTC products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Commodity swaps)	0.00	0.00	0.00	0.00	0.00
Exchange-traded products	9,745,326.69	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	9,745,326.69	0.00	0.00	0.00	0.00
Other	**1,042,408,421.53**	**65,588,000.00**	**-37,864,372.59**	**87,027,243.57**	**-64,963,001.55**
OTC products	1,042,408,421.53	65,588,000.00	-37,864,372.59	87,027,243.57	-64,963,001.55
Options	314,018,000.00	65,588,000.00	351,488.93	31,157.96	0.00
Other (f.i.: Inflation swaps)	728,390,421.53	0.00	-38,215,861.52	86,996,085.61	-64,963,001.55
Exchange-traded products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
Total	**269,685,743,322.26**	**11,001,625,896.57**	**136,430,530.96**	**3,774,162,108.26**	**-3,219,481,790.30**
thereof external/internal deals					
External	235,262,008,977.66	8,719,344,896.95	542,264,118.88	2,778,394,686.16	-2,223,790,875.85
Internal	34,423,734,344.60	2,282,280,999.62	-405,833,587.92	995,767,422.10	-995,690,914.45
thereof OTC/Exchange-traded products					
OTC products	269,323,143,540.71	11,001,625,896.57	136,011,510.46	3,772,671,718.26	-3,218,410,420.80
Exchange-traded products	362,599,781.55	0.00	419,020.50	1,490,390.00	-1,071,369.50
thereof trading book/banking book					
Trading book	243,304,254,085.79	10,393,008,557.58	117,576,383.98	3,041,118,719.92	-2,923,542,335.94
Banking book	26,381,489,236.47	608,617,338.99	18,854,146.98	733,043,388.34	-295,939,454.36
thereof hedges	26,174,489,236.47	421,617,338.99	18,785,052.31	731,653,918.65	-295,839,807.11

The presentation of the nominal values is made without netting of transactions with Central Counterparties.

The fair value of options was determined using accepted option pricing models. The valuation models used include models of the Black-Scholes class, binomial models, as well as Hull-White and BGM models.

Dec 18 in EUR thousand	Notional amount	thereof sells	Carrying amount Assets (+)/Liabilities (-)	Fair value Positive	Negative
Interest rate contracts	**159,518,142**	**8,629,644**	**341,679**	**3,218,330**	**-2,465,891**
OTC products	159,195,000	8,629,644	341,679	3,218,330	-2,465,891
Options	18,345,018	8,629,644	76,179	-998,939	882,229
Other (f.i.: Interest rate swaps)	140,849,982	0	265,500	4,217,269	-3,348,119
Exchange-traded products	323,142	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	323,142	0	0	0	0
Securities related contracts	**16,129,964**	**7,701,050**	**67,861**	**206,228**	**-208,247**
OTC products	15,954,440	7,701,050	68,409	205,647	-207,118
Options	15,582,692	7,701,050	15,221	109,792	-173,678
Other (f.i.: Stock swaps)	371,748	0	53,188	95,855	-33,440
Exchange-traded products	175,524	0	-548	581	-1,129
Options	33,631	0	-548	581	-1,129
Other (f.i.: Futures)	141,892	0	0	0	0
Currency contracts	**71,134,721**	**2,102,883**	**55,117**	**544,563**	**-503,845**
OTC products	71,090,199	2,102,883	55,117	544,563	-503,845
Options	4,291,453	2,102,883	7,553	34,325	-30,526
Other (f.i.: Currency swap)	66,798,745	0	47,564	510,238	-473,319
Exchange-traded products	44,523	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	44,523	0	0	0	0
Credit derivatives	**718,136**	**153,829**	**-2,393**	**16,627**	**-13,286**
OTC products	718,136	153,829	-2,393	16,627	-13,286
Credit Default Options	0	0	0	0	0
Other (f.i.: Credit Default Swaps)	718,136	153,829	-2,393	16,627	-13,286
Exchange-traded products	0	0	0	0	0
Options	0	0	0	0	0
Other	0	0	0	0	0
Commodity contracts	**10,587**	**0**	**0**	**0**	**0**
OTC products	0	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Commodity swaps)	0	0	0	0	0
Exchange-traded products	10,587	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	10,587	0	0	0	0
Other	**1,120,535**	**98,908**	**-28,813**	**72,078**	**-52,727**
OTC products	1,120,535	98,908	-28,813	72,078	-52,727
Options	1,113,453	98,908	-26,600	72,078	-50,514
Other (f.i.: Inflation swaps)	7,083	0	-2,213	0	-2,213
Exchange-traded products	0	0	0	0	0
Options	0	0	0	0	0
Other	0	0	0	0	0
Total	**248,632,085**	**18,686,315**	**433,451**	**4,057,826**	**-3,243,995**
thereof external/internal deals	0	0	0	0	0
External	215,479,430	11,966,235	799,481	2,964,178	-2,150,254
Internal	33,152,655	6,720,080	-366,030	1,093,648	-1,093,741
thereof OTC/Exchange-traded products	0	0	0	0	0
OTC products	248,078,310	18,686,315	433,999	4,057,246	-3,242,867
Exchange-traded products	553,775	0	-548	581	-1,129
thereof trading book/banking book	0	0	0	0	0
Trading book	226,104,503	16,821,846	343,123	3,254,325	-2,911,202
Banking book	22,527,582	1,864,469	90,327	803,501	-332,794
thereof hedges	21,959,082	1,681,469	106,559	803,440	-316,574

The book values are presented in following balance sheet items:

in EUR or in EUR thousand	Dec 19	thereof internal trades	Dec 18
A12 Other assets	3,322,937,343.10	566,086,240.44	3,599,559
A14 Prepayments and accrued income	7,700,671.38	7,700,671.38	17,037
P04 Other liabilities	2,995,771,921.88	781,284,585.24	2,981,668
P05 Accruals and deferred income	198,335,914.50	198,335,914.50	185,257
P06 Provisions	99,647.14	0.00	16,220
Total	**136,430,530.96**	**-405,833,587.92**	**433,451**

Fixed-asset instruments

In the following table the figures are displayed without contractual interest accruals.

	Dec 19			
in EUR	Carrying amount	Positive fair value	Hidden losses	Hidden reserves
Treasury bills	176,306,917.79	173,425,353.49	-2,881,564.30	
	3,107,408,867.49	3,359,954,348.76		252,545,481.27
Loans and advances to credit institutions	89,788,772.42	88,211,360.00	-1,577,412.42	
	527,239,661.10	536,018,215.58		8,778,554.49
Loans and advances to customers	416,848,492.79	414,705,988.02	-2,142,504.77	
	584,455,422.99	622,543,919.15		38,088,496.16
Debt securities	270,065,023.48	267,989,745.40	-2,075,278.09	
	2,323,387,433.97	2,382,061,082.28		58,673,648.31
Shares and other non-fixed-income securities	0.00	0.00	0.00	
	1,010,755,084.03	1,019,931,832.06		9,176,748.03
Financial instruments carried as fixed assets	**953,009,206.48**	**944,332,446.91**	**-8,676,759.58**	
	7,553,246,469.58	**7,920,509,397.84**		**367,262,928.26**

	Dec 18			
in EUR thousand	Carrying amount	Positive fair value	Hidden losses	Hidden reserves
Treasury bills	83,365	82,036	-1,329	
	3,398,090	3,626,572		228,483
Loans and advances to credit institutions	504,599	496,685	-7,914	
	594,758	596,794		2,036
Loans and advances to customers	97,372	91,874	-5,498	
	496,275	511,105		14,829
Debt securities	691,367	681,430	-9,937	
	1,339,400	1,363,665		24,265
Shares and other non-fixed-income securities	150,000	149,744	-256	
	557,895	567,150		9,255
Financial instruments carried as fixed assets	**1,526,703**	**1,501,770**	**-24,934**	
	6,386,417	**6,665,286**		**278,869**

Assets were not impaired, since impairment is not presumed to be permanent. The fair value is the amount that could be obtained in an active market through the sale of a financial instrument, or correspondingly the amount that would be payable for its purchase. Market prices were used to determine fair value where available. Where no market price was available, valuation models were used, particularly the net present value method.

29. Market value for securities in inactive markets

Erste Group Bank AG calculates theoretical prices for securities in an inactive market. A market is assumed to be inactive when prices for the relevant security are formed only sporadically, there is only small-volume trading or no current prices are available.

Of the securities allocated to trading on stock exchanges and valued to market price, theoretical prices were used for the following volumes.

In the following tables the figures are shown without contractual interest accruals:

in EUR Carrying amount of securities not marked on the basis of market prices	Fair value on the basis of the price in the inactive market	Difference 2019
2,493,953,744.77	2,483,908,995.99	-10,044,748.78

in EUR thousand Carrying amount of securities not marked on the basis of market prices	Fair value on the basis of the price in the inactive market	Difference 2018
2,048,979	2,044,255	-4,724

30. Reclassification in securities positions

In 2019, no need for reclassification of security positions to the current asset portfolio occurred.

31. Hedging transactions

Erste Group Bank AG uses interest rate swaps, currency swaps and options to hedge against future cash flows or the market risk (interest rate, exchange rate and price risk) resulting from balance sheet assets (bonds) and liabilities (own issues) on an individual basis or as a group.

Derivatives are used as specified by the hedging strategy in accordance with the Commercial Code (UGB) to hedge the fair value of underlying transactions (e.g. by swapping fixed for variable interest payments) and thereby reducing the interest rate risk of Erste Group Bank AG to the level defined under the interest risk strategy.

In the second half of the year, the management board re-evaluated the hedging requirement of security issues and decided upon the dissolution of a part of the hedge relationships. As a result of the early termination of derivatives, the bank achieved a gain of EUR 114,086,583.75. There is no doubt that the remaining hedge relationships will be held to maturity because the issue strategy will remain in place after the dissolution, the dissolution concerns only a small part of the existing security issues, and profit management does not take place according to the Austrian Banking Act (BWG)/Austrian Commercial Code (UGB).

in EUR	Dec 19	Dec 18	Change
Fair Value Hedge			
Positive market value fair value hedge	607,311,892.27	630,816,651.29	-23,504,759.02
Negative market value fair value hedge	-190,282,833.04	-250,509,578.09	60,226,745.05

The figures for 2019 represent the proportion of the fair value (Dirty Price) of derivatives in a hedging relationship that were not recognized in the balance sheet. As of 31 December 2019 fair value hedges with maturity up to 2042 were held.

The Commercial Code hedging efficiency measurement is carried out for Erste Group Bank AG for the year 2019 in form of a critical terms match.

32. Consideration of CVA/DVA in derivative valuation

Credit value adjustments (CVA) for counterparty default risk and debt value adjustments (DVA) for own credit risk are applied for all OTC derivatives. The CVA adjustment depends on the expected positive exposure and the counterparty's credit worthiness. DVA is determined by the expected negative exposure and by the credit quality of Erste Group Bank AG. The calculation of expected exposure is based on a model that relies on replicated options and on a Monte Carlo simulation, respectively, the probability of default is based on market-based information. No CVA was recognised for counterparties fully backed by Credit support annex – agreements (CSA).

For portfolios that are marked-to-market, both a CVA and a DVA in the amount of EUR -6,867,461.17 (prior year: EUR -6,387 thousand) and EUR 1,660,946.11 (prior year: EUR 2,448 thousand), respectively, were recognised. For the banking book portfolio as in prior years no CVA (prior year: EUR 0 thoursand) was recognised, due to the fact that hedging transactions are carried out via a central counterparty whereby trades are collateralised.

33. Risk provisions

Changes in risk provisions (loans and advances to credit institutions and to customers as well as contingent liabilities):

in EUR or in EUR thousand	Dec 19	Dec 18
Opening balance	**219,549,171.97**	**322,490**
Allocations / Releases (-)	32,488,689.75	-19,471
Use	-50,122,637.77	-84,713
Reclassification	0.00	0
Exchange rate changes	2,232,047.87	1,243
Closing balance	**204,147,271.82**	**219,549**

34. Contingent liabilities

Within the off-balance item contingent liabilities in the amount of EUR 3,663,354,064.46 (prior year: EUR 4,569,755 thousand) necessary provisions were deducted. The largest part of the amount totalling EUR 3,236,677,137.26 (prior year: EUR 4,049,195 thousand) relates to liabilities and guarantees from collateralization. This amount also includes a comfort letter in the amount of EUR 346,406,978.00 (prior year: EUR 367,719 thousand), which Erste Group Bank AG issued in 2015 for affiliated companies in case they do not meet their rental payment obligations for Erste Campus. Moreover, this item also includes credit derivatives in the amount of EUR 426,676,927.20 (prior year: EUR 520,560 thousand).

35. Credit Risk

There is credit risk in the amount of EUR 8,793,433,602.78 (prior year: EUR 6,902,244 thousand) primarily for loan and guarantee commitments which have not yet been exercised. These amounts are net of the appropriate provisions.

36. Gross income – regional breakdown

Gross income of Erste Group Bank AG was broken down as follows (according to the location of branches):

	1-12 19			1-12 18		
in EUR or in EUR thousand	Domestic	Abroad	Total	Domestic	Abroad	Total
Interest and similar income	2,318,027,827.66	257,406,262.75	2,575,434,090.41	2,355,101	214,171	2,569,272
Income from securities and participating interests	815,842,986.95	0.00	815,842,986.95	1,050,018	0	1,050,018
Commission income	156,355,443.98	1,176,608.06	157,532,052.04	166,801	954	167,755
Net profit or loss on financial operations	-69,357,560.00	11,254.36	-69,346,305.64	-77,895	320	-77,575
Other operating income	219,669,549.15	11,306,095.38	230,975,644.53	103,532	3,991	107,523
Gross income	**3,440,538,247.74**	**269,900,220.55**	**3,710,438,468.29**	**3,597,557**	**219,436**	**3,816,993**

37. Net interest income

Erste Group Bank AG recognises negative interest charged on loans (assets) in the amount of EUR 72,825,872.78 (prior year adjusted: EUR 91,457 thousand) under interest and similar expenses and negative interest paid for deposits (liabilities) in the amount of EUR 43,884,461.80 (prior year adjusted: EUR 50,848 thousand) as interest and similar income.

38. Income from participating interests and shares in affiliated companies

The balance sheet item income from participating interests and shares in affiliated companies includes EUR 35,577,232.58 (prior year: EUR 230,910 thousand) and the balance sheet item extraordinary income includes EUR 5,000,000.00 (prior year: EUR 0 thousand) from group members, which are subsidiaries belonging to the fiscal group of Erste Group Bank AG within the framework of the group taxation regulations which came into power in 2005.

39. Other operating income

Other operating income of EUR 230,975,644.53 (prior year: EUR 107,523 thousand) includes income from personnel and other administrative expenses passed on to group members in the value of EUR 78,906,572.00 (prior year: EUR 92,592 thousand) besides income in the amount of EUR 114,086,583.75 (prior year: EUR 0 thousand) from the early termination of two derivatives which were in a hedge relationship.

40. Personnel expenses

In terms of personnel expenses, expenses for severance payments and payments to severance-payment funds included expenses for severance payments in the amount of EUR 14,351,093.55 (prior year: income EUR 4,878 thousand). Expenses for pensions are accounted for as follows:

- Costs for defined pension payments in the amount of EUR 39,750,356.25 (prior year: EUR 37,714 thousand) as personnel costs and interest expenses in the amount of EUR 6,626,219.53 (prior year: EUR 5,968 thousand) as interest costs;
- Costs for pension fund contributions in the amount of EUR 12,928,146.07 (prior year: EUR 9,464 thousand) also as personnel costs.

41. Other administrative expenses

Other administrative expenses include fees paid for auditing and tax advisory services. The table below lists the fees or charges charged by the external auditors (Sparkassen-Prüfungsverband and PwC Wirtschaftprüfung GmbH):

in EUR or in EUR thousand	1-12 19	1-12 18
Fees charged for auditing the financial statements	2,726,665.03	2,331
Fees charged for audit-related services	1,025,155.93	1,154
Fees charged for tax advisory services	0.00	0
Fees charged for other services	78,000.00	44
Total	**3,829,820.96**	**3,530**

As statutory auditors, Sparkassen-Prüfungsverband (auditing agency) provided auditing services for affiliated companies of Erste Group Bank AG in the value of EUR 5,545,345.00 (prior year: EUR 5,247 thousand). Other advisory services were charged to other affiliated companies in the value of EUR 58,000.00 (prior year: EUR 49 thousand). The amount charged for other services for affiliated companies came up to EUR 11,791.00 (prior year: EUR 18 thousand). PwC Wirtschaftsprüfung GmbH provided auditing services for affiliated companies of Erste Group Bank AG in the value of EUR 920,658.00 (prior year adjusted: EUR 930 thousand). Other advisory services were charged to other affiliated companies in the value of EUR 338,000.00 (prior year: EUR 261 thousand).

42. Other operating expenses

Other operating expenses which amounted to EUR 59,917,093.80 (prior year: EUR 34,081 thousand), essentially consisted of expenses for the Recovery & Resolution fund in the amount of EUR 17,601,761.61 (prior year: EUR 17,471 thousand) besides expenditure in the amount of EUR 40,475,279.04 (prior year: EUR 0 thousand) for the partial closure of a fixed rate subordinate bond.

43. Value adjustments as well as results from purchases and sales in respect of participating interests and shares in affiliated companies

The balance from value adjustments as well as results from purchases and sales in respect of participating interests and shares in affiliated companies resulted in a write-up in 2019 of EUR 687,523,533.80 (prior year: EUR 93,150 thousand). This was essentially attributable to the write-up of Banca Comercială Română S.A. at EUR 499,500,000.00 (prior year: write-off EUR 118,741 thousand) and Erste Bank Hungary Zrt. at EUR 214,800,000.00 (prior year: EUR 145,200 thousand) and the write-off of Prva stavebna sporitelna a.s. at EUR 36,826,267.19 (prior year: 0 thousand). Moreover, a gain of EUR 9,848,486.39 resulted from the sale of S Slovensko s.r.o..

For group members (subsidiaries that are considered a tax group with Erste Group Bank AG under the group taxation regulations of 2005) revaluation requirements in the amount of EUR 8,216,699.24 (prior year: write-up EUR 62,813 thousand) are included in this item. As in the prior year, no group members were sold in the reporting year.

44. Taxes on profit and loss

The item tax on profit or loss shows that tax income amounted to EUR 173,411,786.22 (prior year: income EUR 108,526 thousand). Net income from taxes on profit or loss was EUR 87,469,375.71 (prior year: EUR 91,493 thousand) under the current tax allocation system, whereas tax expense from foreign taxes on income of previous years amounted to EUR 7,565,684.85 (prior year: EUR 9,455 thousand) according to section 9 Corporate Tax Act (Körperschaftssteuergesetz) on group taxation as well as income from the release of deferred tax assets in the amount of EUR 93,332,111.44 (prior year: tax expense EUR 4,616 thousand).

Since 2005, Erste Group Bank AG and its main domestic subsidiaries have formed a tax group in accordance with section 9 Corporate Tax Act, with Erste Group Bank AG as parent of the group ("Gruppenträger"). Group and tax equalisation agreements were concluded with all affiliated companies. Under these agreements, affiliated companies allocate amounts equivalent to the corporation tax on taxable profits to Erste Group Bank AG. Since tax losses from prior years are recorded and offset against their current tax liability by the affiliated companies themselves, there is no obligation to make tax allocation payments to Erste Group Bank AG. Moreover, Erste Group Bank AG undertakes to make compensatory payments for any tax losses utilised up to that point to any affiliated companies leaving the Group.

Foreign income tax and other foreign income-related taxes were expenses of EUR 5,007,463.38 (prior year: EUR 1,924 thousand).

45. Other taxes

The balance sheet item other taxes not shown under item 18 in the amount of EUR 17,701,435.82 (prior year: EUR 4,617 thousand) includes the bank levy to the amount of EUR 16,391,942.88 (prior year: EUR 15,864 thousand).

46. Branches on a consolidated basis

Due to the improved rating of Erste Group Bank AG NY and HK branch were able to attract more external funding at favorable levels (either via commercial papers or deposits) which was placed with the Head Office in Vienna. This had an overall positive effect for Erste Group Bank AG, however from a consolidated perspective it led to a negative result for both branches in 2018 (as the interest earned from intra-group placements were eliminated) and in New York in 2019.

Dec 19 Business	Commercial lending to foreign banks, leasing companies and sovereign debtors			Institutional sales-business
Branches	London	New York	Hong Kong	Berlin, Stuttgart
Country of domicile	Great Britain	USA	China	Germany
Net interest income in EUR	34,443,403.14	-39,235,265.72	11,486,929.83	0,00
Operating result in EUR	46,209,628.50	-38,897,527.43	11,051,159.58	-786.73
Headcount / as of reporting date	29	23	23	12
Profit or loss from ordinary activities in EUR	27,216,471.11	-53,884,940.66	2,968,116.31	-3,381,723.50
Taxes on income in EUR	-1,113,587.23	-658,667.41	-1,830,889.94	-27,197.90
Public benefits received	None	None	None	None

Dec 18 Business	Commercial lending to foreign banks, leasing companies and sovereign debtors			Institutional sales-business
Branches	London	New York	Hong Kong	Berlin, Stuttgart
Country of domicile	Great Britain	USA	China	Germany
Net interest income in EUR	28,658,740.85	-23,333,937.04	-1,997,444.68	-4.92
Operating result in EUR	33,490,365.70	-23,243,923.02	-2,282,442.42	-2,254.69
Headcount / as of reporting date	29	22	23	12
Profit or loss from ordinary activities in EUR	24,853,397.64	-36,622,409.08	-8,148,156.75	-3,172,930.32
Taxes on income in EUR	-564,833.42	-9,216,529.72	-2,485,987.61	-19,159.92
Public benefits received	None	None	None	None

47. Return on assets

Net profit for the year after tax before changes in reserves expressed in proportion to the average total assets was at balance sheet date 1.9% in 2019 (prior year: 1.4%).

48. Events after balance sheet date

There were no significant events after the balance sheet date.

D. INFORMATION ON BOARD MEMBERS AND EMPLOYEES

Employees

The average number of employees at Erste Group Bank AG (weighted, excluding employees on leave and management board members) was 1,982 during the financial year 2019 (prior year: 2,107).

In 2019, 164 employees (prior year: 190) worked at other companies against reimbursement of expenses. The reimbursement costs of EUR 19,102,672.67 (prior year: EUR 21,138 thousand) are included in other operating income.

Board members

Neither in 2019 nor in the previous year did Erste Group Bank AG grant loans directly to members of the board or supervisory board.

Management board members

Managing board remuneration is as follows:

Fixed salaries

in EUR or in EUR thousand	1-12 19	1-12 18
Bleier Ingo (starting with 1 July 2019)	350,000.00	0
Bosek Peter	700,000.00	700
Brávek Petr	700,000.00	700
Cernko Willibald (until 30 June 2019)	350,000.00	700
Dörfler Stefan (starting with 1 July 2019)	350,000.00	0
Habeler-Drabek Alexandra (starting with 1 July 2019)	350,000.00	0
Mittendorfer Gernot (until 30 June 2019)	350,000.00	700
Síkela Jozef (until 30 June 2019)	350,000.00	700
Spalt Bernhard (starting with 1 July 2019)	350,000.00	0
Treichl Andreas	1,475,000.12	1,475
Total	**5,325,000.12**	**4,975**

Performance linked remuneration

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 (phantom shares) are not traded on the stock exchange, but are paid in cash after a vesting period of one year on the basis of defined criteria.

	1-12 19				1-12 18			
	for 2018		for previous years		for 2017		for previous years	
	cash in EUR	share-equivalents in units	cash in EUR	share-equivalents in units	cash in EUR	share-equivalents in units	cash in EUR	share-equivalents in units
Bleier Ingo (starting with 1 July 2019)	0.00	0	0.00	0	0.00	0	0.00	0
Bosek Peter	160,850.00	4,446	132,000.00	4,843	127,560.00	4,853	84,000.00	3,387
Brávek Petr	164,000.00	4,446	132,000.00	4,843	158,441.00	4,853	84,000.00	3,387
Cernko Willibald (until 30 June 2019)	164,000.00	4,446	48,000.00	1,456	160,000.00	4,853	0.00	0
Dörfler Stefan (starting with 1 July 2019)	0.00	0	0.00	0	0.00	0	0.00	0
Habeler-Drabek Alexandra (starting with 1 July 2019)	0.00	0	0.00	0	0.00	0	0.00	0
Mittendorfer Gernot (until 30 June 2019)	164,000.00	4,446	140,800.00	5,213	160,000.00	4,853	110,000.00	4,762
Síkela Jozef (until 30 June 2019)	138,796.15	4,446	132,000.00	4,843	134,797.38	4,853	84,000.00	3,387
Spalt Bernhard (starting with 1 July 2019)	0.00	0	0.00	0	0.00	0	0.00	0
Treichl Andreas	364,966.00	10,845	326,200.00	12,146	317,466.00	10,738	276,800.00	12,245
Total	**1,156,612.15**	**33,075**	**911,000.00**	**33,344**	**1,058,264.38**	**35,003**	**638,800.00**	**27,168**

The planned share-equivalents for 2019 were awarded due to success in the prior year. Payouts will be made proportionately in 2020, following the one-year holding period. Share-equivalents were valued at the average weighted daily share price of Erste Group Bank AG of the year 2019 (2018) in the amount of EUR 32.08 (EUR 36.88) per share.

For the financial year 2014 no performance-linked remuneration was paid out to board members.

Other remuneration

The item 'Other remuneration' comprises pension fund contributions, contribution to employee provision funds (for new-type severance payments) and remuneration in kind.

in EUR or in EUR thousand	1-12 19	1-12 18
Bleier Ingo (starting with 1 July 2019)	64,361.57	0
Bosek Peter	140,253.60	138
Brávek Petr	370,926.80	139
Cernko Willibald (until 30 June 2019)	72,001.29	134
Dörfler Stefan (starting with 1 July 2019)	65,129.66	0
Habeler-Drabek Alexandra (starting with 1 July 2019)	64,864.70	0
Mittendorfer Gernot (until 30 June 2019)	76,108.16	140
Síkela Jozef (until 30 June 2019)	74,812.04	138
Spalt Bernhard (starting with 1 July 2019)	65,104.14	0
Treichl Andreas	643,795.75	644
Total	**1,637,357.71**	**1,333**

In addition to his position on the Holding board, Mr. Bosek took over the chairmanship in the EBOe as of 1 July 2019. Proportional remuneration is charged to EBOe.

In 2019, EUR 1,941,320.82 (prior year: EUR 1,082 thousand) was paid in cash and 4,862 share-equivalents (prior year: 8,392) were assigned to former members of the management bodies and their dependants.

Principles governing the pension scheme for management board members

Members of the management board participate in the defined contribution pension plan of Erste Group Bank AG on the basis of the same principles as employees.

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 applies to one member of the management board.

Supervisory board members

The supervisory board consists of at least three and a maximum of fourteen members elected in the annual general meeting. Unless the annual general meeting has determined a shorter term of the mandate 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 financial 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 a defined impediment. Revocation requires a majority of three quarters of valid votes cast and a majority of three-quarters of the registered capital represented at the time of the resolution.

Breakdown of supervisory board remuneration

Pursuant to the decision passed at the annual general meeting of 24 May 2018, the supervisory board adopted in its constituent meeting the following yearly remuneration structure for the financial year 2017 and the following years:

in EUR	Number	Allowance per person	Total allowance
Chairman	1	150,000.00	150,000.00
1st Vice Chairmen	1	90,000.00	90,000.00
2nd Vice Chairmen	1	80,000.00	80,000.00
Members	10	60,000.00	600,000.00
Total	**13**		**920,000.00**

In addition, the chairmen of the risk, audit and IT committee each receive further annual compensation of EUR 10,000.00 (prior year: EUR 10 thousand) and the chairmen of the remuneration and nomination committee each receive further annual compensation of EUR 5,000.00 (prior year: EUR 5 thousand).

In 2019, the members of supervisory board of Erste Group Bank AG were paid EUR 1,075,000.00 (prior year: EUR 1,100 thousand) for their board function.

in EUR or in EUR thousand	1-12 19	1-12 18
Supervisory board compensation	840,000.00	860
Meeting fees	235,000.00	240
Total	**1,075,000.00**	**1,100**

Board member remuneration for their board function in fully consolidated subsidiaries of Erste Group Bank AG

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 106,000.00 (prior year: EUR 104 thousand), Jan Homan EUR 17,300.00 (prior year: EUR 19 thousand), Gunter Griss EUR 24,000.00 (prior year: EUR 43 thousand), Maximilian Hardegg EUR 63,490.00 (prior year: EUR 63 thousand), Elisabeth Krainer Senger-Weiss EUR 55,000.00 (prior year: 8 thousand), Brian D. O'Neill EUR 55,000.00 (prior year: EUR 51 thousand), John James Stack EUR 98,324.00 (prior year: EUR 96 thousand).

Erste Group Bank AG did not conclude other legal transactions with its members of the supervisory board.

Transactions and shares held by management board and supervisory board members

The tables below provide information on Erste Group Bank AG shares held by management board and supervisory board members as well as transactions carried out with Erste Group Bank AG shares (numbers of shares). Erste Group Bank AG shares held by management board and supervisory board members, whose office term began or ended during the financial year, as at the date of inception or termination of their term in office were recognised as additions or disposals.

Management board member	As of 31 Dec 2018	Additions	Disposals	As of 31 Dec 2019
Bleier Ingo (ab 1. Juli 2019)	0	3,111	0	3,111
Bosek Peter	1,000	500	0	1,500
Brávek Petr	600	0	0	600
Cernko Willibald (until 30 June 2019)	0	0	0	0
Dörfler Stefan (ab 1. Juli 2019)	0	800	0	800
Habeler-Drabek Alexandra (ab 1. Juli 2019)	0	72	0	72
Mittendorfer Gernot (until 30 June 2019)	10,000	0	10,000	0
Síkela Jozef (until 30 June 2019)	6,300	0	6,300	0
Spalt Bernhard (ab 1. Juli 2019)	0	5,000	0	5,000
Treichl Andreas	164,640	0	0	164,640

Supervisory board members did not receive any options on Erste Group Bank AG shares for exercising their mandate.

Members of the supervisory board	As of 31 Dec 2018	Additions	Disposals	As of 31 Dec 2019
Bleyleben Koren Elisabeth (until 15 May 2019)	10,140	0	10,140	0
Bulach Matthias (as of 15 May 2019)	0	0	0	0
Egerth-Stadlhuber Henrietta (as of 26 June 2019)	0	0	0	0
Grießer Martin (as of 26 June 2019)	0	14	0	14
Griss Gunter	0	0	0	0
Gual Solé Jordi	0	0	0	0
Haag Markus	176	0	0	176
Haberhauer Regina	188	0	0	188
Hardegg Maximilian	240	0	0	240
Homan Jan	4,400	0	0	4,400
Khüny Marion	0	0	0	0
Krainer Senger Weiss Elisabeth	0	0	0	0
Lachs Andreas	0	0	0	0
O'Neill Brian D. (until 20 December 2019)	0	0	0	0
Pichler Barbara	309	0	0	309
Pinter Jozef	0	0	0	0
Rasinger Wilhelm	22,303	2,000	0	24,303
Rödler Friedrich	1,702	500	0	2,202
Stack John James	32,761	0	0	32,761
Sutter-Rüdisser Michèle F. (until 15 May 2019)	0	0	0	0
Zeisel Karin	38	0	0	38

Persons related to management board or supervisory board members held 3,412 Erste Group Bank AG shares as of 31 December 2019 (prior year: 3,366).

Severance payments and pensions

Expenses for severance payments and pensions for members of the management board and managers amounted to EUR 6,192,849.35 (prior year: EUR 4,426 thousand). Expenses for severance payments and pensions for other employees amounted to EUR 63,959,040.77 (prior year: EUR 50,756 thousand). Expenses for surviving dependents and pensioners are included in the reported amounts. In accordance with section 239 (2) Commercial Code, statements regarding members of the executive and supervisory boards are disclosed separately in the annex 1.

Under the Employee Share Program 2019, Erste Group Bank AG has transferred treasury shares free of charge to employees of Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG and the majority-owned Austrian subsidiaries. The shares were granted under the condition that the employees transfer their shares of Erste Group Bank AG under an escrow agreement to the Erste Mitarbeiterbeteiligung Privatstiftung and leave them there for the duration of their employment contract. Erste Group Bank AG limited the grant to one share for each 10 shares transferred by the employee and up to a value of EUR 7,500 per employee. Erste Group Bank AG awarded a total number of 9,603 shares to employees and incurred expenses in the amount of EUR 356,304.91. The average share price of Erste Group Bank AG was EUR 32.69 during the registration period.

E. APPROPRIATION OF PROFIT

At the annual general meeting, the management board will propose to pay out a dividend of EUR 1.50 per share (prior year: EUR 1.40). In accordance with section 235 (1) of the Commercial Code (UGB), the payout restriction amounts to EUR 0.00 (previous year: EUR 0 thousand).

F. APPENDIX 1: MANAGEMENT BODIES OF ERSTE GROUP BANK AG AS OF 31 DECEMBER 2019

Supervisory board

Position	Name	Year of birth	Occupation	Date of initial appointment	End of the current period of office
Chairman	Rödler Friedrich	1950	Auditor and tax advisor	4 May 2004	AGM 2022
1st Vice Chairman	Homan Jan	1947	General Manager, ret.	4 May 2004	AGM 2022
2nd Vice Chairman	Hardegg Maximilian	1966	Entrepreneur	12 May 2015	AGM 2020
Member	Bulach Matthias	1976	Head of Financial Accounting, Control and Capital, Caixa Bank	15 May 2019	AGM 2022
Member	Egerth-Stadlhuber Henrietta	1971	General Manager	15 May 2019	AGM 2022
Member	Griss Gunter	1945	Lawyer	21 May 2014	AGM 2020
Member	Gual Solé Jordi	1957	Chairman Board of Directors, Caixa Bank	17 May 2017	AGM 2022
Member	Khüny Marion	1969	Advisor	17 May 2017	AGM 2022
Member	Krainer Senger-Weiss Elisabeth	1972	Lawyer	21 May 2014	AGM 2024
Member	O'Neill Brian D.	1953	Senior Advisor, Lazard Frères & Co	31 May 2007	20 December 2019
Member	Rasinger Wilhelm	1948	Advisor	11 May 2005	AGM 2020
Member	Stack John James	1946	CEO i.R.	31 May 2007	AGM 2021
Member	Sutter-Rüdisser Michèle F.	1979	Honorary Professor, University of St. Gallen	15 May 2019	AGM 2022
Delegated by the employees‘ council					
Member	Grießer Martin	1969		26 June 2019	21 January 2020
Member	Haag Markus	1980		21 November 2011	Until further notice
Member	Haberhauer Regina	1965		12 Mai 2015	Until further notice
Member	Lachs Andreas	1964		9 August 2008	Until further notice
Member	Pichler Barbara	1969		9 August 2008	Until further notice
Member	Pinter Jozef	1974		25 June 2015	Until further notice
Member	Zeisel Karin	1961		9 August 2008	Until further notice

Representatives of the supervisory authority

Name	Position
Bartsch Wolfgang	State Commissioner
Kremser Michael	Deputy State Commissioner.
Maca Silvia	State Controller for Premium Reserve
Moser Erhard	Deputy State Controller for Premium Reserve
Kienzl Irene	Trustee under the Mortgage Bank Act (Hypothekenbank- und Pfandbriefgesetz)
Offner Gabriela	Deputy trustee under the Mortgage Bank Act

Management board

Board member	Year of birth	Date of initial appointment	End of current period of office
Bleier Ingo	1970	1 July 2019	30 June 2022
Bosek Peter	1968	1 January 2015	30 June 2023
Brávek Petr	1961	1 April 2015	31 December 2019
Dörfler Stefan	1971	1 July 2019	31 December 2023
Habeler-Drabek Alexandra	1970	1 July 2019	30 June 2022
Spalt Bernhard (Deputy Chairman)	1968	1 July 2019	30 June 2023
Treichl Andreas (Chairman)	1952	1 October 1994	31 December 2019

Management board	
Bernhard Spalt mp, Chairman	
Ara Abrahamyan mp, Member	Stefan Dörfler mp, Member
Ingo Bleier mp, Member	Alexandra Habeler-Drabek mp, Member
Peter Bosek mp, Member	David O'Mahony mp, Member

Vienna, 28 February 2020

IV. Management Report

ECONOMIC ENVIRONMENT

In 2019, global economic growth decelerated to its slowest pace for more than a decade. Rising trade and geopolitical tensions increased uncertainty and adversely affected business confidence, investment decisions and global trade. Consequently, manufacturing activity weakened substantially. Private consumption, on the other hand, remained resilient and was supported by employment creation and higher wages. In advanced economies, GDP growth slowed down, with the United States outperforming both Japan and the euro zone. Economic performance in the euro zone was particularly impacted by weaker exports. In Japan, strong private consumption and public spending outweighed the weaker export performance. Among emerging and developing regions, China and India, the world's two most populated countries, continued to grow significantly with GDP reaching approx. 6.1%[1] and 4.8%[2], respectively. Declining commodity prices throughout the year impacted the development of Russia and Brazil, both countries grew at a significantly slower pace than in 2018. Central and Eastern Europe was again among the best performing regions of global economy. Most CEE countries, in particular Hungary and Poland, experienced very solid growth rates on the back of resilient domestic demand and rising wages. Overall, global economic growth stood at 2.9%[3].

Among major central banks monetary policies continued to diverge. To stimulate economic activity the US Federal Reserve (Fed) cut its key rate to 1.75%. The European Central Bank (ECB), the Bank of Japan, and the Swiss National Bank left their key interest rates unchanged throughout the year, the ECB at 0%, the Bank of Japan at –0.10% and the Swiss National Bank at –0.75%.

The United States' economy continued its solid economic performance. GDP growth, however, slowed down as business investment weakened against the backdrop of intensifying US-China trade tensions. Robust consumer spending was a stabilising factor for the economy. The labour market was again characterised by rising employment rates. The unemployment rate declined further to 3.5%[4] at year end 2019. Both public spending and tax cuts supported economic growth, albeit at a lesser extent than 2018. Inflation declined and fell below the 2% target set by the Fed. In 2019, the budget deficit widened due to lower taxes and increased public spending. To reduce negative implications from the global economic slowdown on the US economy and also due to muted inflation pressure, the Fed decided to lower its key rate in three steps by a total of 75 basis points to 1.75%. Overall, the US economy grew by 2.3%[5].

At 1.2%[6] economic growth in the euro zone was weaker than that of other advanced regions of the world, mainly due to a decline in exports. Domestic demand stayed firm. Germany (particularly its manufacturing sector) and Italy weighed on growth, while France and Spain reported a solid performance. The growth momentum of consumer spending remained stable. The Brexit-related uncertainty did not significantly impact the economic performance in 2019. After more than three years of negotiations and two general elections the United Kingdom left the European Union at the end of January 2020. The ECB maintained its expansionary monetary policy. It kept the base rate unchanged, cut the interest rate on the deposit facility further by 10 basis points to -0.50% and restarted in November its asset purchase programme at a monthly volume of up to EUR 20 billion. The ECB also introduced a new series of longer-term refinancing operations (TLTRO III) to preserve bank lending conditions and further support the accommodative stance of monetary policy.

After posting solid GDP growth in the past two years, the Austrian economy slowed down in 2019. Domestic demand, especially consumer spending continued to be the main driver of growth, while manufacturing and investments declined. Exports also declined after the particularly strong development in 2018. The performance of the construction sector was again solid. In addition, the traditionally strong service and tourism sectors continued to perform well. Austria benefitted from the solid economic performance of Central and Eastern Europe. The average unemployment rate dropped further to a multiple year low of 4.5%[7]. Average consumer prices remained well under control, with an inflation rate of 1.5%[8]. The general government surplus stood at 0.3%[9]. Public debt as a percentage of GDP significantly decreased to 69.6%[10]. Overall, real GDP growth stood at 1.6%[11], with GDP per capita rising to EUR 45,000[12].

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[1] IMF: https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020 (Download on 19 February 2020)
[2] IMF: https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020 (Download on 19 February 2020)
[3] IMF: https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020 (Download on 19 February 2020)
[4] US Bureau of Labor Statistics: https://data.bls.gov/timeseries/LNS14000000 (Download on 19 February 2020)
[5] IMF: https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020 (Download on 19 February 2020)
[6] IMF: https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020 (Download on 19 February 2020)
[7] Statistik Austria: http://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/arbeitsmarkt/arbeitslose_arbeitssuchende/arbeitslose_int_definitionen_ms/055370.html (Download on 19 February 2020)
[8] Statistik Austria: http://www.statistik.at/web_de/statistiken/wirtschaft/preise/verbraucherpreisindex_vpi_hvpi/022835.html (Download am 19 February 2020)
[9] European Commission: https://ec.europa.eu/economy_finance/forecasts/2019/autumn/ecfin_forecast_autumn_2019_at_en.pdf (Download on 19 February 2020), adjusted for expected development until year-end 2019
[10] European Commission: https://ec.europa.eu/economy_finance/forecasts/2019/autumn/ecfin_forecast_autumn_2019_at_en.pdf (Download on 19 February 2020), adjusted for expected development until year-end 2019
[11] WIFO: https://www.wifo.ac.at/jart/prj3/wifo/resources/person_dokument/person_dokument.jart?publikationsid=65634&mime_type=application/pdf (Download on 19 February 2020)
[12] Statistik Austria: https://www.statistik.at/web_de/statistiken/wirtschaft/volkswirtschaftliche_gesamtrechnungen/index.html (Download on 19 February 2020), adjusted for economic growth and inflation for 2019

The economies of Central and Eastern Europe continued their robust performance and again outperformed the euro zone. Household consumption remained the main driver supported by higher wages and growing employment levels. Within the CEE countries, Poland, Hungary and the Czech Republic performed particularly well. The automotive 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 inflation rates rose towards the upper bounds of the central banks' targets in most of the CEE economies, the average increase of inflation was rather moderate. CEE currencies remained on average fairly stable against the euro throughout the year. Among the region's central banks, policies varied in 2019 with the Czech National Bank further increasing its key rate while the Serbian National Bank cut its policy rate. Public deficits in the region remained low. The favourable economic performance was also recognised by the rating agencies which upgraded the Czech, Hungarian, Croatian and Serbian credit ratings during the year. Overall, CEE economies grew in 2019 between 4.9%[13] in Hungary and 2.3%[14] in Slovakia.

FINANCIAL PERFORMANCE INDICATORS

Explanatory notes on the balance sheet

Total assets decreased by 1.6% from EUR 67.3 billion at the end of 2018 to EUR 66.3 billion on 31 December 2019. The individual items developed as follows:

The item **cash on hand, balances with central banks** dropped by 80.3% from EUR 8.2 billion to EUR 1.6 billion as of 31 December 2019, which can primarily be attributed to the reduction in the on demand business with central banks in Euro. Lower levels of fixed assets led to a 3.0% decrease in **treasury bills and similar securities**, which reduced from EUR 4.0 billion to EUR 3.9 billion. As the growth in repurchase agreements (EUR +2.9 billion) more than compensated the declines in interbank business and fixed asset securities, the **loans and advances to credit institutions** increased by 7.3% from EUR 23.8 billion in the prior year to EUR 25.6 billion in the reporting year. Compared to the end of 2018, **customer deposits** rose by 12.3% from EUR 14.5 billion to 16.2 billion, whereby growth in non-listed securities positions in fixed assets and new lending business made a contribution. **Debt securities** grew by 28.4% from EUR 5.0 billion in the prior year to EUR 6.4 billion, which can be attributed on the one hand to the increased repurchase of covered bonds, and on the other hand to higher levels of listed bond holdings of foreign banks in fixed assets and the trading portfolio. Mostly due to write-ups and write-offs, the book values of **participating interest and shares in affiliated companies** increased by 10.3% from EUR 6.8 billion to EUR 7.5 billion on 31 December 2019. The item **other assets** in the amount of EUR 3.6 billion (prior year: EUR 3.9 billion) consists of derivatives to around 92.5%.

On the liabilities side, due to a decline in money market business in Vienna as well as in the foreign branches New York and Hong Kong, the item **liabilities to credit institutions** reduced by 11.3% to EUR 22.2 billion (prior year: EUR 25.0 billion). **Amounts owed to customers** also decreased by 9.3% to EUR 6.6 billion (prior year: 7.3 billion), which resulted primarily from fewer time deposits in the Hong Kong branch. As the increase in the circulation of covered bonds as well as the issue of a subordinated bond in May 2019 more than compensated the matured certificates of deposit, there was an increase in securitised liabilities of 5.9% to EUR 18.2 billion (prior year: EUR 17.1 billion). In March 2019, Erste Group Bank AG issued a further bond within the framework of its Additional Tier 1 program, which is why the item **subordinated and additional Tier Capital** increased by 13.2% to EUR 6.6 billion (prior year: EUR 5.8 billion). The item **other liabilities** in the amount of EUR 3.7 billion (prior year: EUR 3.8 billion) includes approx. 80.0% derivatives. After deduction and filtering as specified in the CRR, **Tier 1 Capital** (CET 1 and AT1) amounted to EUR 9.0 billion (prior year: EUR 7.9 billion); **Common Equity Tier 1 Capital** (CET 1) amounted to EUR 7.5 billion (prior year: EUR 6.9 billion). **Own Funds** of Erste Group Bank AG pursuant to Part 2 of Regulation (EU) No 575/2013 (particularly Tier 1 and Tier 2 capital) amounted to EUR 12.5 billion on 31 December 2019 (prior year: EUR 11.4 billion). The **Common Equity Tier 1 Capital Ratio** (CET 1) was 22.9% (prior year: 21.4%), whereas the **Total Capital Ratio** was 38.1% (prior year: 35.4%).

Details on Earnings

In spite of increased interest income from fixed income securities particularly due to higher volumes of trades, Erste Group Bank AG`s **net interest income** declined by 25.9% to EUR 211.8 million (prior year: EUR 285.8 million). This was caused by poorer market opportunities especially concerning the Czech koruna and in money market business. Largely due to the lack of dividend payments from Erste Bank

[13] Központi Statisztikai Hivatal: https://www.ksh.hu/docs/hun/xftp/gyor/gde/gde1912.html (Download on 19 February 2020)

[14] Štatistický úrad Slovenskej republiky: http://statdat.statistics.sk/cognosext/cgi-bin/cognos.cgi?b_action=cognosViewer&ui.action=run&ui.object=storeID(%22iC20449D1FEFE41C0B10E2AC7A4F5A4E4%22)&ui.name=Flash%20estimate%20of%20GDP%20and%20Total%20employment%20according%20to%20ESA%2095%20%5bnu0001qs%5d&run.outputFormat=&run.prompt=true&cv.header=false&ui.backURL=%2fcognosext%2fcps4%2fportlets%2fcommon%2fclose.html&run.outputLocale=en (Download on 19 February 2020)

Österreich and Erste Group Immorent and lower dividend payments from Slovenska sporitelna and Erste Bank Hungary – all affiliated companies – the **income from securities and participating interests** reduced by 22.3% to EUR 815.8 million (prior year: EUR 1,050.0 million). Among other things, as a result of issuing costs for further additional core capital (AT 1), the balance from **fee and commission income and expenses** worsened by 26.6% to EUR 29.0 million (prior year: EUR 39.5 million). Due to the fact that the losses from derivatives could not be compensated with gains from foreign exchange and coin trading, the item **net profit or loss on financial operations** continues to be negative with EUR 69.3 million (prior year: EUR 77.6 million), although it did increase by 10.6%. The early termination of two derivatives is largely responsible for the fact that **other operating income** more than doubled to EUR 231.0 million (prior year: EUR 114.1 million). All in all, this resulted in a 13.3% deterioration in **operating income** to EUR 1,218.3 million (prior year: EUR 1,405.3 million) in 2019.

In addition to salaries (both fixed and variable) and social expenses, **personnel expenses** also include expenses for long-term employee provisions and pension fund contributions. In spite of lower employee numbers, total personnel expenses increased by 3.0% to EUR 345.0 million (prior year: EUR 335.1 million). The actuarial losses recognised on the balance sheet (in particular as a result of the discount rate being lowered from 1.92% to 0.95%) from compensation related liabilities of EUR 47.0 million (prior year: EUR 41.4 million) were the driver for this. The **number of employees** at Erste Group Bank AG (weighted according to the extent of employment) went down slightly by 0.4% compared to 31.12.2018 and compares to the previous year as follows:

	Dec 19	Dec 18
Domestic	**2,097.1**	**2,107.5**
Foreign branches	**87.0**	**86.0**
London	29.0	29.0
New York	23.0	22.0
Hong Kong	23.0	23.0
Berlin, Stuttgart	12.0	12.0
Total	**2,184.1**	**2,193.5**
thereof maternity/paternity leave	121.5	128.5

Although consulting costs further declined in the reporting year (increased regulatory requirements from 2017 have largely been implemented), **other administrative expenses** increased by 1.3 % to EUR 315.8 million (prior year: EUR 311.9 million), which can partially be attributed to intensified advertising measures also in the course of the 200 year anniversary of the bank. The **depreciation and amortisation on fixed assets and intangible assets** sank by 34.2% to EUR 10.1 million (prior year: EUR 15.3 million) as in the reporting year it was not necessary to perform partial write-offs. The costs (EUR 40.5 million) for the partial closure of a fixed interest subordinated bond resulted in an increase in **other operating expenses** by 75.8% to EUR 59.9 million (prior year: EUR 34.1 million). As a result, **operating expenses** rose by 4.9% to EUR 730.8 million (prior year: EUR 696.4 million).

After deduction of all operating expenses from operating income, **net operating income** amounted to EUR 487.5 million in the financial year 2019 (prior year: EUR 708.9 million). At 60.0%, the **cost-income ratio** (operating expenses as a percentage of operating income) was above the prior year's figure of 49.4%.

Due to the fact that the quality of the loan portfolio not in default did not further improve and also net individual provisioning had to be built, Erste Group Bank AG reports a negative **required net allocation for loans and receivables** (including write-offs offset against income from written off loans) in the amount of EUR 20.2 million (prior year: positive EUR 41.9 million). The successful balance from **current securities** (valuation and gains) as well as the result and value adjustment positions on **participating interests and fixed-asset securities** was EUR 699.2 million in 2019 (prior year: EUR 82.4 million). Participation valuations (primarily the appreciation of BCR and EBH) in particular had a positive impact on the results in the reporting year.

Accordingly, **pre-tax profit for the year** improved from EUR 833.1 million in the prior year to EUR 1,166.4 million in 2019.

Dividends received, which did not result from operating profits, led to an **extraordinary income** in the amount of EUR 5.0 million in the reporting year 2019 (prior year: EUR 0.0 million). In particular due to capitalised deferred taxes, **taxes on profit or loss** increased by 59.8% to an income of EUR 173.4 million (prior year: EUR 108.5 million). Due to the high proportion of tax-exempt income from participations as well as the obligation of depreciating participations over 7 years, no Austrian corporate income tax was payable in the financial year 2019. As the received capital tax income for securities lending from prior years in 2018 did not reoccur in 2019, **other taxes** quadrupled themselves from EUR 4.6 million to EUR 17.7 million.

After accounting for the **changes in reserves** (see Annex chapter C note 23), which resulted in the net allocation of EUR 682.7 million (prior year: EUR 335.3 million), which resulted in a profit of the year after distribution on capital of EUR 644.4 respectively a profit of the year of EUR 644.7 million, which is above the previous year's level of EUR 601.7 million.

OUTLOOK

In 2020, the positive development of the economy should be reflected in growth rates (real GDP growth) of 2% to 4% in Erste Group Bank AG'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 1.3%. 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 Bank AG expects mid-single digit net loan growth. Despite negative interest rates in the euro zone but supported by moderately increasing short term market rates in Czech Republic and Hungary net interest income should thus increase further in 2020. The second key income component, net fee and commission income, is also expected to rise. As in 2019, some positive momentum should again come from asset management, insurance brokerage and payment services. Most of the other income components are expected to remain stable, by and large. Considering the good performance in 2019, net trading result are expected to be lower. Overall, operating income should continue to grow in 2020. Operating expenses are expected to rise in 2020, partly due to anticipated further wage increases in all core markets of Erste Group Bank AG. However, Erste Group Bank AG will continue to invest in IT and thereby its future competitiveness in 2020. The focus will be on progressive IT modernisation, back office digitalisation 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 2020. Positive jaws is the ambition for 2020, even though it will be tougher to achieve than in 2019 as revenue pressures increase. Overall, the operating result is projected to rise in 2020. Risk costs should remain low in 2020 on the back of the low interest rate environment. While precise forecasts are difficult in the current environment, Erste Group Bank AG projects for 2020 risk costs of below 20 basis points of average gross customer loans. The solid, albeit slowing, macro environment should support asset quality as will the well-balanced diversified loan portfolio.

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

OWN SHARES

Month	Purchase/Sale	Portfolio as of	Purchase price	Selling price	Par value in share capital
January	Purchase	1,834,865	54,824,897		3,669,730
January	Sale	1,721,578		54,348,994	3,443,156
February	Purchase	195,891	6,282,847		391,782
February	Sale	225,974		7,239,808	451,948
March	Purchase	1,642,094	50,797,325		3,284,188
March	Sale	1,868,501		44,763,685	3,737,002
April	Purchase	720,991	24,910,361		1,441,982
April	Sale	232,248		8,364,749	464,496
May	Purchase	268,911	9,114,441		537,822
May	Sale	245,445		8,305,041	490,890
June	Purchase	128,103	4,103,110		256,206
June	Sale	725,626		23,516,068	1,451,252
July	Purchase	164,814	5,475,229		329,628
July	Sale	170,945		5,789,929	341,890
August	Purchase	308,444	9,317,436		616,888
August	Sale	123,938		3,745,433	247,876
September	Purchase	536,117	16,808,171		1,072,234
September	Sale	426,254		14,022,336	852,508
October	Purchase	331,507	9,987,346		663,014
October	Sale	345,187		10,481,980	690,374
November	Purchase	32,034	1,073,167		64,068
November	Sale	42,217		1,401,495	84,434
December	Purchase	48,329	1,610,046		96,658
December	Sale	142,044		4,800,278	284,088

The primary purpose of the transactions was market making and hedging of ATX positions. As of 31 December 2019, other liabilities include a short position in Erste Bank shares amounting to 222,583 units with a carrying amount of EUR 7,469,887.01 (prior year: 164,726 units, carrying amount EUR 4,785,290.30), which is covered by securities lending deals.

RESEARCH AND DEVELOPMENT

Erste Group Bank AG ´s business purpose is to provide banking services. The production process of a bank is therefore not connected with research and development in an industrial sense. However, development work impacts permanently the current business of the bank.

BRANCHES

Erste Group Bank AG maintains branches in London, New York, Hong Kong and Germany (Berlin and Stuttgart) that provide commercial lending to foreign banks, leasing companies and sovereign debtors as well as institutional sales.

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS

Investor information pursuant to section 243a (1) of the Austrian Commercial Code ("UGB")

With regard to the statutory disclosure requirements in the Management Report, special reference is made to the relevant information in the notes to the financial statements, in section C 22.

As of 31 December 2019, together with its syndicate partners, DIE ERSTE oesterreichische Spar-Casse Privatstiftung ("ERSTE Stiftung"), a foundation, controls approx. 30.39% (prior year: 29.99%) of the shares in Erste Group Bank AG and with 16.46% (prior year: 16.21%) is the main shareholder. The ERSTE Stiftung holds 6.37% (prior year: 6.49%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to around 10.09% (prior year: 9.72%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 0.93% (prior year: 0.78%) are held directly by savings bank foundations (Sparkassenstiftungen) respectively saving banks foundations acting together with the ERSTE Stiftung and affiliated with Erste Group Bank AG through the joint liability scheme/IPS fund. 9.92% (prior year: 9.92%) of the subscribed capital is controlled by the ERSTE Stiftung on the basis of a shareholder agreement with Caixabank S.A.. 3.08% (prior year: 3.08%) are held by other partners to the shareholder agreement.

Furthermore, it should be noted that in addition to the joint liability scheme in place since 2001, from 1.1.2014 onwards Erste Group Bank AG has formed a recognized institutional protection scheme in accordance with article 113 (7) CRR together with the Austrian savings banks. The joint liability scheme complies with the requirements of article 4 (1) Z 127 CRR, whereby the required individual services of the individual members of the scheme are subject to an individual and general ceiling. The applicable amounts are determined by the steering company and made known to the paying members. Due to the requirements for an IPS (institutional pretection scheme), the ceilings for individual members' support measures were raised and an ex-ante fund established which was endowed beginning in 2014 for the following 10 years.

In the financial statements, the payments by the individual members are recognised as participations in IPS GesbR – which is in charge to manage the ex-ante-fund. Furthermore retained earnings are built, whereby a shift from untied reserves to restricted reserves was conducted in 2014. The restricted reserves have been renamed to blocked reserves in 2019. On the basis of the contractual provisions, these retained earnings may be released only in case of a drawdown of the ex-ante-fund due to a triggering event but not to cover a loss and, at member level, they do 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 ERSTE Stiftung 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 ERSTE Stiftung. The partners can dispose of shares according to a predefined sale procedure and can purchase shares only within the quotas agreed with ERSTE Stiftung (of a maximum of 2% within 12 months in total); with this regulation an unwanted creeping-in according to takeover law 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.

The Articles of Association contain no restrictions in respect of voting rights or the transfer of shares.

Pursuant to section 243a (1) no. 6 UGB not directly prescribed by the law regarding the appointment and dismissal of members of management and supervisory boards as well as on the amendment of the Articles of Association:

This concerns:

- Art. 15.1 of the Articles of Association, which provides that ERSTE Stiftung will be granted the right to nominate up to one third of the members of the Supervisory Board to be elected by the shareholders' meeting, as long as ERSTE Stiftung is liable or all present and future liabilities of the company in the case of its insolvency pursuant to Section 92 (9) Banking Act and
- Art. 15.4 of the Articles of Association, which provides that a three-quarter majority of valid votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of Supervisory Board members
- Art. 19.9 of the Articles of Association, which provides that the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and 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 Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Pursuant to section 243a (1) no. 7 UGB, members of the Management Board have the right to issue or repurchase shares, where such a right is not prescribed by statutory law:

As per decision of the Annual General Meeting of 15 May 2019:

- 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 may 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 14 November 2021.
- 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 14 November 2021, 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 14 May 2024, 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 Management Board is authorised to redeem shares without further resolution at the Annual General Meeting with the approval of the Supervisory Board.
- According to section 65 (1) Z 4 as well as (1a) and (1b) Stock Exchange Act, the Management Board is authorised for the duration of 30 months following the date of resolution, hence until 14 November 2021, and with the approval of the Supervisory Board to purchase own shares at an amount equalling up to 10% of share capital of the company also under repeated utilisation of the 10% limit both via the stock market as well as off-market under exclusion of the pro rata tender rights of shareholders for the purpose of granting shares for free or at concessionary terms to Erste Mitarbeiterbeteiligung Privatstiftung, their beneficiaries, employees, executive employees and members of the board at Erste Group Bank AG as well as affiliated group companies or other companies according to section 4d (5) Z 1 Income Tax Act. The authorisation may be exercised in whole or in part or in several installments and in pursuit of one or several purposes. The value per share may neither be lower than the floor value of two Euros nor higher than the ceiling of 120 Euros.

All sales and purchases were carried out as authorised at the Annual General Meeting.

According to section 8.3 of the Articles of Association, the Management Board is authorized, 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.

Significant 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 [section 243a (1) no. 8 UGB]:

Agreement in principle of the joint liability scheme

The agreement in principle of the joint liability scheme 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 grossly harms the duties resulting from the 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 bank 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 bank sector irrespective of the reason.

The joint liability scheme's 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 joint liability scheme's steering company and Erste Group Bank AG by registered letter within twelve weeks from the change of control that it intends to withdraw from the joint liability scheme.

Directors and Officers Insurance

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

- the insured ceases to exist as a result of a 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 consent, who are not insured parties, acquire more than 50% of the insured's outstanding equity or more than 50% of its voting power (resulting in the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured),

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 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 shall remain 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 in relation to unlawful acts committed or alleged to have been committed by the insured during the existence of this entity as a subsidiary. No insurance cover is provided for claims brought against an insured in relation to unlawful acts committed or allegedly committed after this entity ceased to exist.

Co-operation between Erste Group Bank AG and Vienna Insurance Group (VIG)

Erste Group Bank AG and Vienna Insurance Group AG Wiener Versicherung Gruppe ("VIG") are contractual partners of a general sales agreement regarding the sales cooperation for banking and insurance products 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 of the general sales agreement was mainly 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 recent developments of the legal framework on the regulatory front. The parties already determined in the first agreement that each party had the right to terminate the agreement in the case of a takeover. In the case of a takeover of Erste Group Bank AG, VIG has the right to terminate the general sales agreement. If a takeover occurs at VIG, Erste Group Bank AG has the reciprocal right. Regarding Erste Group Bank AG, a takeover is deemed to occur if a shareholder or third party holding less than 50% of the total shares or the voting rights in Erste Group Bank AG so far, holds more than 50% of the total shares or the voting rights in Erste Group Bank AG for the first time. Share purchases by shareholders/buyers of DIE ERSTE oesterreichische Spar-Casse Privatstiftung and/or Austrian savings banks are excluded from this ruling. With regard to VIG, the aforementioned rules also apply – share purchases by the shareholder Wiener Städtische Wechselseitiger Versicherungsverein Vermögensverwaltung – Vienna Insurance Group are excluded from this ruling.

Aside from this contract termination possibility, upon renewal and extension of this contract the contractual parties agreed that in case changed legal or other regulatory requirements significantly impact the defined business models in the respective so-called country sales agreements between the contractual partners, a termination of the respectively affected country sales agreements for good cause is possible

as long as the presence of such a good cause is confirmed by a court of arbitration appointed in accordance with the rules of the general sales agreement.

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 CONTROL RIGHTS FOR FINANCIAL REPORTING PROCEDURES

IKS Framework Requirements

The IKS policy provides the framework conditions for the internal control system (IKS) at Erste Group. It defines current standards concerning general tasks and responsibilities as well as minimum criteria for IKS documentation. In Erste Group, a top-down, risk adjusted and decentralised IKS approach is to be applied with a focus on the material risks identified within the framework of the ICAAP process.

The IKS process of Erste Group is based on the framework conditions and minimum criteria of the introduction of group-wide internal policies (Group Policy Framework – GPF). All key controls for the control and monitoring of group-wide material risks are laid down in specific internal policies that have to be implemented group-wide. The definition and documentation of key controls has to be duly carried out by traceable means by the policy owner on group level. The control of the roll-out of individual policies is part of the general GPF process.

The monitoring of the efficiency and effectiveness of the IKS is ensured and validated by regularly conducted monitoring activities (control indicators) and individual sample inspections. This is done in order to guarantee that the key controls fulfil their objectives, reduce the probability of other risks occurring and to keep the other remaining risks in line with the risk-return. The risk profile, which includes the current and target situation, is monitored by each individual risk function unit and is illustrated in the framework of the consolidated risk reporting (GRR) for the management or relevant risk committee.

Control environment

The control environment provides the framework for the introduction, implementation and monitoring of IKS principles, procedures and measures. The Management Board of Erste Group Bank AG 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 accounting procedures.

Holding Finance & Accounting Competence Center, which are part of the Group Accounting & Group Controlling division, coordinate and verify the final accounts' compilation for Erste Group Bank AG. The assignment of powers, account responsibilities and the necessary control procedure are defined in the operating instructions.

Risk assessment

The main risk in the accounting 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 able to influence the decisions made by the addressees on the basis of the final accounts. Such decision may cause serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

Controls

The relevant units are obliged to comply with the accounting and measurement principles that are applicable for capturing, posting and accounting transactions and laid out in the operating instructions relating to the UGB and in the IFRS Accounting Manual.

The basic components of the internal control system (IKS) at Erste Group Bank AG 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 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 internal control system. The functionality of the Internal Audit unit is monitored by quality assurance measures (self-assessments, peer reviews, external quality assessments) by the Management Board, the Audit Committee/Supervisory Board and by external parties (e.g. bank auditor, bank supervisor).

Information and communication

In accordance with Austrian Commercial Code (UGB) / Austrian Banking Act (BWG), the final accounts are prepared in a standardised format and in compliance with the control measures described above. Before being passed on to the Audit Committee of the Supervisory Board, the financial statements to be published are submitted to the managers and CFO for approval. During the year the UGB-result is presented to the responsible board member (CFO) on a quarterly basis.

Reporting is nearly fully automated using input systems and automatic interfaces. This warrants that the data for controlling, (segment) and earnings accounting as well as other evaluations are always up to date. The information used by the accounting department is derived from the same database and reconciled monthly for reporting. Close collaboration between Accounting and Controlling ensures that target and actual data are constantly compared, allowing for effective control and harmonization.

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all areas of the bank at appropriate intervals based on legally required and on risk oriented planned audits (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 functionality of the internal control system. Internal Audit reports its findings to the Group's Management Board and Audit Committee several times a year.

According to section 42 BWG, Internal Audit is a control body that is directly subordinate to the Management Board. It serves the exclusive purpose of ongoing and comprehensive reviews of the legal compliance, appropriateness and suitability of the banking business and banking operation. 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 guided in particular by the the law, guidelines and minimum standards of the authority, by the professional standards for internal audits and their policy, which is checked regularly and adapted if necessary.

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 Requirement Regulation (CRR).

RISK MANAGEMENT

Comments on the risk profile of Erste Group Bank AG

In light of the business strategy of Erste Group Bank AG, besides participation risk, the main risks included credit risk, market risk, interest-change risk in the banking book, liquidity risk and non-financial risks. In addition, a risk materiality assessment is undertaken on an annual basis. It is ensured that all relevant material risks are covered by Erste Group Bank AG's control and risk management framework. This entails a set of different tools and governance to ensure adequate oversight of the overall risk profile and sound execution of the risk strategy, including appropriate monitoring and escalation of issues that could materially impact the risk profile of the group. The main types of risk can be summarised as follows:

_ *Credit risk:* is the risk of loss from the potential collapse of counterparties, particularly of borrowers in the conventional lending business, and any related credit losses.
_ *Market risk:* describes the risk of loss from unfavourable price changes in marketable and traded products, such as shares, fixed-income securities and derivatives, as well as from interest and foreign exchange volatility and fluctuations in raw material prices.
_ *Interest rate risk in the banking book, including net interest income risk:* is the risk of an adverse change in the market value of financial instruments or in net interest income due to market interest rate movements. This type of risk arises due to differences in maturities, interest rate linkages, and interest rate reset periods between assets and liabilities including derivatives.

_ *Liquidity risk:* describes the risk of the bank's insufficient liquidity or inability to make funds available in a timely manner to service its debts.
_ *Non financial risk:* includes reputational and operational risks. Operational risks are losses as a result of error or malfunction of internal procedures, humans and systems or external events.

Participation Risks

Participation risks are risks of potential value losses from providing equity, as current-value write-offs, capital losses from sales, omissions of dividends or decline of hidden reserves as well liability risks from letters of comfort or capital payment commitments. The majority of direct and indirect participations are fully consolidated in the group balance sheet and thus these risks are recorded ascertained. Consequently potential risks of investments are usually covered by other types of risks and correspondingly considered in their monitoring and control methods.

The participations entered into by Erste Group Bank AG took place in line with the strategic objective to invest in retail banking whereby own experience and expertise could be contributed. In order to participate more in growth markets, geographic diversification was increased by investing in central and eastern European states. In order to reduce the political, legal and economic risks, the management focuses on countries within the EU or on potential EU candidate countries.

Risk management objectives and methods

Taking risks in a conscious and selective manner and to manage such risks professionally is one of the core functions of a bank. 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 the principles of risk management, the strategic goals as well as initiatives for the most important types of risk and sets strategic limits for the significant types of financial and non-financial risk, which are considered in the risk materiality assessment. The risk strategy is implemented within the framework of a clearly defined governance structure. This also serves to observe the risk appetite and complementary measures as well as for the escalation of exceeded limits.

In 2019, the steering of loan portfolios including the active management of non-performing loans was continued to further strengthen the risk profile (e.g. improved workout measures, monitoring and report generation of long-term operational plans for old holdings and new inflows of non-performing loans etc.). This has been particularly demonstrated by the continuous improvement of the credit quality and the ongoing decrease of non-performing loans and low risk costs.

For credit risk, by far the most important risk category, Erste Group Bank AG has been using the internal ratings-based (IRB) approach according to the Capital Requirements Regulation (CRR) and adopts this approach also for the assessment of economic capital requirements according to Pillar 2. In addition, all related and required methods and processes of this measurement approach are applied. The internal models are validated annually and adapted where necessary at Erste Group Bank AG, whereby both findings by supervisory authorities as well as future changes to regulatory requirements are taken into consideration.

The capital requirement for the market risk exposure of the trading book has been assessed using the bank's own model. In order to hedge the exposure to variability in the market risk resulting from balance sheet assets (bonds, loans) and liabilities (own issues, promissory notes, custody transactions) on an individual basis or as a group, Erste Group Bank AG uses interest rate swaps, currency swaps and options as hedging instruments. These hedging instruments are accounted for as valuation units together with the respective hedged item according to section 201 (2) Austrian Commercial Code (Unternehmensgesetzbuch – UGB). Effects of the continuing low interest rate environment are described in the unconsolidated financial statement in section Outlook.

The requirements for the generation of valuation units are fulfilled by the fair value hedge accounting processes which are applied at Erste Group Bank AG. Details on these processes are presented in the notes to the financial statement, section C note 31.

In accordance with the Advanced Measurement Approach (AMA), operational risk for Erste Group Bank AG is backed by equity.

In order to provide a comprehensive overview of current and future risk and the cover pools of the Bank, the bank's risk-bearing capacity is determined by the Internal Capital Adequacy Assessment Process (ICAAP). The risk-bearing capacity provides regular updates on the risk profile and capital adequacy, forming the basis for defining and implementing any measures that may be necessary.

Erste Group Bank AG defines its risk strategy and risk appetite within the framework of the annual strategic planning process, during which adequate orientation of the risk, capital and results and earnings targets is ensured. Strategic limits and principles are defined for all types of risk on the basis of the RAS in the risk strategy. These strategic limits and principles support the implementation of the medium and long-term risk decisions. Risk Management governance ensures the comprehensive overview of all risk decisions and the proper execution of the risk strategy. Risk-reducing measures are carried out as part of the ordinary risk management process in order to make sure that the Group acts in accordance with the defined risk appetite.

Risk management organization

Risk control and risk steering are performed based on the business strategy and the risk appetite approved by the Management Board. Together with the chief risk officers of the subsidiaries, the chief risk officer of Erste Group Bank AG (Group CRO) is responsible for implementation of and adherence to the risk control and risk management strategies across all risk types and business lines.

Committees with explicit strategic and operative controlling functions have been set up to ensure the Bank's effective and optimal management. At the top of the risk committee hierarchy within Erste Group Bank AG is the Risk Committee of the Supervisory Board. It is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the Management Board according to the internal approval authority policies. Furthermore, it is charged with granting approval to large exposures pursuant to Article 392 CRR, if such a claim is equal 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.

The Management Board and in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes. The actual identification, measurement, assessment, approval, monitoring, steering and limit setting for the relevant risks are performed at the operating entity level within Erste Group Bank AG. The management board is supported by several divisions established to perform operating risk control functions and exercise strategic risk management responsibilities.

In 2019, the following adaptations were made to the organisational structure of risk management:
- The division Group Non Financial Risk with tasks concerning operational risk was integrated into Enterprise wide Risk Management;
- The staff unit "Executive Divisional Director Strategic Risk" was discontinued.

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 Compliance;
- Group Credit Risk Management;
- Group Legal;
- Group Sustainability Offices.

The division Group Liquidity and Market Risk Management includes all market and liquidity risk functions. This division is responsible for the management, measurement and control of the liquidity and market risk in the trading and banking book of Erste Group Bank AG. The methods and models applied are checked and validated by a separate department.

Enterprise wide Risk Management (ERM) ensures an increased focus on holistic risk management and ensures comprehensive analysis, management, monitoring and reporting across different types of risk. ERM is the central unit for strategic initiatives to enable greater cohesion between risk strategy (including risk appetite and limit management) and operational execution. Furthermore, ERM works together with all risk functions and key divisions to strengthen bank-wide risk monitoring. This includes capital, credit, liquidity, market, operational, and business risk.

The Credit Risk Models division covers the development and validation of models in the area of credit risk. It is responsible for all model management throughout the model life cycle and takes care of the monitoring of models applied. The supervision of the model landscape plays a key role in the centralised model reporting.

The activities of Group Compliance include all compliance risks, from money laundering to insider trading, and are carried out in line with the pertinent national and supranational laws and requirements. This division creates systems for management and the implementation of measures to prevent infringements of legal regulations, best practice standards and internal guidelines.

Group Credit Risk Management fulfils the function of operational risk management and covers the approval of credit risks as well as the support of workout cases for customers and counterparties of Erste Group Bank AG. In the group, this division is responsible for the setting of standards and the management of the non-retail and retail business. Group Credit Risk Management ensures that only credit risk, which is aligned with the risk appetite, the risk strategy and the limits set by Enterprise wide Risk Management is taken onto the books.

Group 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.

The main tasks of the (Group Sustainability Office) GSO include the development and implementation of the environmental policy and the development of the "Code of Conduct" and the further development of the "Time Bank", a platform to arrange voluntary engagements for bank employees in the civil society. Furthermore, their tasks also include participation in the evaluation of non-financial risks in client business as well as taking care of the sustainability rating.

Statements concerning value adjustments for credit risks can be found in Annex section C note 33 and concerning off-balance sheet risk items in Annex section C note 34 of this financial statement. Litigations are dealt with in Annex section A (Ongoing legal cases).

CORPORATE GOVERNANCE

Compliance with laws and international initiatives against bribery and corruption is a matter of fact. Erste Group Bank AG places particular emphasis on continuous training of employees. A particular point of focus is on the strict requirements regarding whether gifts may be accepted at all from customers, or where appropriate the size of the gift. Another such point is the whistleblowing office. The Erste Integrity Line promotes lawful and fair behaviour, enabling all employees to report suspicious events. A detailed corporate governance report can be found in the annual report of Erste Group. This is published on the website of Erste Group at www.erstegroup.com/ir.

CLAIM PURSUANT TO SECTION 243B COMMERCIAL CODE (UGB)

Non-financial reporting for Erste Group Bank AG pursuant to Section 243b of the Commercial Code (UGB) is published together with the Group's separately consolidated non-financial report in the financial statement of Erste Group. The separate non-financial report is disclosed in the financial statement on the homepage at www.erstegroup.com/ir.

GLOSSARY

Operating Income
Sum of net interest income, net commissions income, income from securities and participating interests, net profit or loss on financial operations and other operating income.

Operating Expenses
Sum of general administrative expenses, value adjustments in respect of assets items 9 and 10 as well as other operating expenses.

Operating Result
Operating income less operating expenses.

CEE (Central and Eastern Europe)
English abbreviation also commonly used in German applied to the economic area of Central and Eastern Europe. Includes the new EU member states from expansion in 2004 and 2007 as well as the successor states to Yugoslavia and the Soviet Union and Albania.

Total Capital Ratio
The total eligible own capital according to Article 72 CRR expressed in % of the total risk amount according to Article 92 (3) CRR.

Forbearance
Concessions to the debtor due to financial difficulties.

Return on Assets
The annual net profit before allocation to reserves divided by the average balance sheet total (average of the last 5 quarterly cut-off dates).

Common Equity Tier 1 Capital Ratio
Common Equity Tier 1 capital (CET1) according to Article 50 CRR expressed in % of the total risk amount according to Article 92 (3) CRR.

Tier 1 Capital Ratio
Tier 1 Capital according to Article 25 CRR in % of the total risk amount according to Article 92(3) CRR.

Cost-Income Ratio
Operating expenses as a % of the operating income.

Risk Appetite Statement (RAS)
The RAS is a strategic explanation that describes the maximum risk that a company is prepared to take to achieve its goals.

Management board	
Bernhard Spalt mp, Chairman	
Ara Abrahamyan mp, Member	Stefan Dörfler mp, Member
Ingo Bleier mp, Member	Alexandra Habeler-Drabek mp, Member
Peter Bosek mp, Member	David O'Mahony mp, Member

Vienna, 28 February 2020

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.

V. Auditors' Report

REPORT ON FINANCIAL STATEMENTS

Audit opinion

The Sparkassen-Prüfungsverband (Prüfungsstelle) and PwC Wirtschaftsprüfung GmbH, Vienna, – hereinafter referred to as "we" – have audited the financial statements of Erste Group Bank AG, Vienna, which comprise the balance sheet as at December 31, 2019, the income statement for the fiscal year then ended, and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance for the fiscal year then ended in accordance with the Austrian Commercial Code and the special legal requirements.

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 Financial Statements" section of our report.

We are independent of the Company 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 financial statements of the fiscal year. These matters were addressed in the context of our audit of the 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. Impairment of Loans and Advances to Customers

Description

Loss allowances represent management's best estimate of the credit losses expected with respect to the loan portfolio at balance sheet date. Due to the underlying assumptions and estimations, the determination of expected credit losses is inherently subject to substantial judgement applied by management.

As at 31 December, 2019, the volume of loans (loans to customers and loans to credit institutions) of Erste Group Bank AG, Vienna, amounted to EUR 42.0 billion before loan loss allowances of EUR 0.2 billion.

Erste Group Bank AG, Vienna, has implemented internal guidelines and specific processes to identify significant increases in credit risk (at the level of the individual financial instrument) as well as loss events for individual customers. These processes rely significantly on quantitative criteria and involve management judgement.

Based on the results of these assessments, several scenario-based discounted cash flow methods are used to determine the level of loan loss allowances. Assumptions incorporated in these assessments are, if required, estimated based on statistical models taking into regulatory requirements and translated into parameters compliant with accounting requirements:

_ 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 loan 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.

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:
_ obtained an understanding of the Expected Credit Loss calculation methodology applied by Erste Group Bank AG, Vienna.
_ 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.
_ using our credit risk modelling experts, evaluated model governance and validation processes as well as 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 accounting specific model aspects.
_ evaluated whether the data for calculating expected credit losses are correctly incorporated in the impairment calculation by performing audit procedures on key controls and interfaces.
_ 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 basis, 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:

We refer to the information provided by management under item III.B and III.C.33 of the disclosure notes.

2. Appreciation of participating interests ("Zuschreibung auf den beizulegenden Wert") in Banca Comercială Română SA („BCR")

Description

Erste Group Bank AG, Vienna, is the main shareholder of Banca Comercială Română SA, Bucharest, ("BCR") with a stake of 99.88 %. At the end of December 2018, the Romanian Ministry of Finance introduced a banking tax which will take effect starting in 2019. As a result, management of BCR has drawn up a revised business plan that reflects the expected effects of the new banking tax and the resulting developments. On this basis, the fair value ("beizulegender Wert") of the interest in BCR for the 2018 annual financial statements was reassessed, which resulted in a depreciation to the lower fair value of EUR 118.7 million. In the course of 2019, the Romanian Parliament decided to significantly reduce the tax base and the rate of the banking tax.

Management has reassessed the fair value of the interest in BCR taking this development into account. This required discretionary judgements, assumptions and estimates to be made by management. As in the past, the fair value was determined using the dividend discount method ("DDM"), which is used for the valuation of financial services companies. At DDM, expected future dividends that are available for the distribution to the shareholders ("flow-to-equity") are capitalized in compliance with the capital requirements. Management's estimates and assumptions are required with regard to both future earnings expectations and discounting parameters.

The determination of future distributions of the BCR is based on the current business plan drawn up by the management of BCR and the supervisory board of BCR. The business plan covers the years 2020 to 2024 (5 years) and includes profit and loss accounts (considering the banking tax rate applicable on December 31, 2019), balance sheets and own funds planning. A permanent perpetual annuity was derived for

the period not covered by the business plan, assuming a constant growth rate. The flows-to-equity were discounted taking into account the group-wide capital requirements with the group-specific cost of equity for Romania.

Based on the existing business plan, a fair value as of December 31, 2019 was determined resulting in an appreciation of EUR 499.5 million.

Due to its significance for the financial statements, the existing estimation uncertainties as well as the level of management judgement and assumptions required, we identified this area to be a key audit matter.

Audit approach

In order to assess the appropriateness of the carrying value for the interests in BCR held by Erste Group Bank AG, Vienna, we performed the following, using specialists with the required industry and regional knowledge in the field of business valuation

- with respect to the summary of the prospective financial information used in developing the accounting estimate
  - developed an understanding and evaluated the procedures performed in order to ensure mathematical accuracy of the prospective financial information;
  - discussed with management the assessment of the reasonableness of key assumptions in the business plan and
    - checked the reasonableness of main value drivers (using benchmarking);
    - checked planning accuracy for past planning periods by inquiry of persons responsible for variance analyses (comparison budget versus actual figures).
- challenged the appropriateness of the cost of equity used to discount the resulting expected dividend by developing our own estimate of the base interest rate, the beta factor, the market risk premium, the country risk premium and the inflation differential.
- compared, by using samples, if the target figures and parameters used in the valuation model concur with the approved budget figures as well as with the evaluated parameters of the valuation model. Here, our focus was in particular on the assumptions on perpetual annuity (most notably on the growth rate and retention).
- evaluated, by using samples, the valuation methods used with regard to their technical and mathematical correctness to determine whether the valuation method applied is in line with the business model of the participating interest as well as with the information available to Erste Group Bank AG, Vienna.
- reconciled the identified appreciation against the appreciation recognized. In doing so, a particular focus was laid on the application of the historical cost principle in the event of appreciations.

Reference to related disclosures

With regard to the above-stated information, we refer to management's disclosures in section III.C.43 in the notes.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Commercial Code and the special legal requirements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 Company

Pursuant to the Austrian Commercial Code, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report 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.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the applicable legal requirements, includes accurate disclosures pursuant to Section 243a UGB and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the obtained understanding concerning the Company and its circumstances no material misstatements in the management report 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 financial statements, the management report 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 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 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 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), the Sparkassen-Prüfungsverband (Prüfungsstelle) is the statutory auditor of Erste Group Bank AG, Vienna.

At the ordinary general meeting dated May 24, 2018 and pursuant to Section 1 (1) of the Auditing Rules for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2019 and, subsequently, was engaged by the supervisory board. At the ordinary general meeting dated May 15, 2019 PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2020. Since 2017 PwC Wirtschaftsprüfung GmbH, Vienna, has constantly been appointed as additional auditor.

We confirm that the audit opinion in the "Report on the 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 (Prüfungsstelle)), and Ms. Dorotea-E. Rebmann, Austrian Certified Public Accountant (PwC Wirtschaftsprüfung GmbH, Vienna).

Vienna, 28 February 2019

Sparkassen-Prüfungsverand
(Prüfungsstelle)

(Bank Auditor)

Gerhard Margetich mp
Austrian Certified Public Accountant

Stephan Lugitsch mp
Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

Timo Steinmetz mp
Austrian Certified Public Accountant

Dorotea-E. Rebmann mp
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 financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. For deviating versions, the provisions of Section 281 (2) UGB apply.

VI. Statements of all members of the management board

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Management board	
Bernhard Spalt mp, Chairman	
Ara Abrahamyan mp, Member	Stefan Dörfler mp, Member
Ingo Bleier mp, Member	Alexandra Habeler-Drabek mp, Member
Peter Bosek mp, Member	David O'Mahony mp, Member

Vienna, 28 February 2020