Half-year financial report 2020

ERSTE Group

Key financial data

Income statement

in EUR million	Q2 19	Q1 20	Q2 20	1-6 19	1-6 20
Net interest income	1,168.8	1,229.0	1,167.9	2,329.7	2,396.9
Net fee and commission income	492.7	504.2	452.5	980.4	956.7
Net trading result and gains/losses from financial instruments at FVPL	93.7	-119.9	129.2	169.9	9.3
Operating income	1,821.2	1,663.0	1,808.9	3,592.9	3,471.9
Operating expenses	-1,030.4	-1,111.2	-1,003.5	-2,146.0	-2,114.7
Operating result	**790.9**	**551.7**	**805.4**	**1,446.9**	**1,357.2**
Impairment result from financial instruments	7.1	-61.7	-613.7	42.8	-675.4
Post-provision operating result	**797.9**	**490.0**	**191.8**	**1,489.7**	**681.8**
Other operating result	-219.9	-127.6	-42.3	-351.0	-169.9
Levies on banking activities	-25.9	-49.9	-33.1	-64.7	-83.0
Pre-tax result from continuing operations	588.0	361.3	148.8	1,149.8	510.1
Taxes on income	-117.2	-103.0	-37.3	-212.7	-140.3
Net result for the period	**470.8**	**258.3**	**111.5**	**937.1**	**369.8**
Net result attributable to non-controlling interests	115.9	23.0	53.0	205.2	76.1
Net result attributable to owners of the parent	**354.9**	**235.3**	**58.5**	**731.9**	**293.8**
Earnings per share	0.74	0.55	0.02	1.63	0.57
Return on equity	9.3%	6.6%	0.2%	10.2%	3.4%
Net interest margin (on average interest-bearing assets)	2.18%	2.18%	2.04%	2.18%	2.10%
Cost/income ratio	56.6%	66.8%	55.5%	59.7%	60.9%
Provisioning ratio (on average gross customer loans)	-0.02%	0.15%	1.48%	-0.06%	0.82%
Tax rate	19.9%	28.5%	25.1%	18.5%	27.5%

Balance sheet

in EUR million	Jun 19	Mar 20	Jun 20	Dec 19	Jun 20
Cash and cash balances	16,843	23,031	18,433	10,693	18,433
Trading, financial assets	45,620	46,970	47,667	44,295	47,667
Loans and advances to banks	23,035	24,264	27,418	23,055	27,418
Loans and advances to customers	155,331	161,119	163,736	160,270	163,736
Intangible assets	1,490	1,322	1,331	1,368	1,331
Miscellaneous assets	5,943	6,193	6,106	6,012	6,106
Total assets	**248,261**	**262,898**	**264,692**	**245,693**	**264,692**
Financial liabilities held for trading	2,518	3,322	2,737	2,421	2,737
Deposits from banks	19,043	20,703	21,984	13,141	21,984
Deposits from customers	169,668	181,691	182,670	173,846	182,670
Debt securities issued	30,773	29,413	29,431	30,371	29,431
Miscellaneous liabilities	6,609	6,716	6,669	5,437	6,669
Total equity	19,649	21,053	21,200	20,477	21,200
Total liabilities and equity	**248,261**	**262,898**	**264,692**	**245,693**	**264,692**
Loan/deposit ratio	91.5%	88.7%	89.6%	92.2%	89.6%
NPL ratio	2.8%	2.4%	2.4%	2.5%	2.4%
NPL coverage ratio (based on AC loans, ex collateral)	75.4%	80.9%	91.1%	77.1%	91.1%
CET1 ratio (CRR final)	13.5%	13.1%	14.2%	13.7%	14.2%

Ratings	**Jun 19**	**Mar 20**	**Jun 20**
Fitch			
Long-term	A	A	A
Short-term	F1	F1	F1
Outlook	Stable	RWN	RWN
Moody´s			
Long-term	A2	A2	A2
Short-term	P-1	P-1	P-1
Outlook	Positive	Positive	Positive
Standard & Poor´s			
Long-term	A	A	A
Short-term	A-1	A-1	A-1
Outlook	Positive	Positive	Stable

Letter from the CEO

Dear shareholders,

in the first half of the year 2020, the Covid-19 pandemic has been the central topic worldwide – and hence also in our core markets. The governments of Austria and CEE region countries were quick in implementing sweeping measures, but the wide-ranging and abrupt temporary lockdown of public life resulted in significant economic upheaval. To mitigate the sometimes dramatic negative consequences, all governments launched substantial relief programmes ranging from debt moratoria for bank loans, guarantees and bridge financing, short-time work schemes and tax deferrals to direct payments. Central banks cut interest rates, provided liquidity on an unprecedented scale and decided to buy government and corporate bonds. Bank regulators reduced capital requirements and recommended a pragmatic interpretation of financial accounting standards as well as postponing dividend payments to a later date. Even today, the full extent of the economic downturn cannot be estimated yet. In our core markets, unemployment figures are up significantly and both consumer and business confidence have yet to return to pre-Covid-19 levels. But there have also been some positive developments: the number of employees on short-time work schemes has declined sharply in Austria and in fact never reached significant levels in Central and Eastern Europe. Overall, we expect that gross domestic product will contract this year markedly by between four and nine percent. This should be followed by a recovery in the year 2021, which, however, may not be following a linear path depending on developments of the health situation and the administrative measures taken.

How did these developments impact our performance in the first half of 2020? In brief, both operating income and operating expenses declined slightly, with income down more sharply in the first quarter of 2020 than in the second quarter of 2020. This is attributable to the fact that the first quarter saw considerable net trading and fair value losses driven by the massive slide of the financial markets, which were fully recovered in the second quarter on the back of stabilising central bank measures. As regards the traditionally stable income components, net interest income was still slightly up in the first half of the year while net fee and commission income already came in slightly lower. For the full year of 2020 we expect, however, that both line items will be trending down marginally as a result of lower interest rates and volumes as well as reduced economic activity. Full-year costs should improve slightly versus the previous year. Both in the quarter just ended and in the first half of the year, the key driver impacting profit was certainly the development of risk costs. Although the NPL ratio remained at a historically low 2.4%, a forward-looking approach was taken to account for the expected deterioration in asset quality as far as possible already at this early date. Accordingly, significant provisions were set aside in the second quarter in the amount of EUR 613.7 million, which is the equivalent of 148 basis points of average gross customer loans. For the full year we currently expect a level of 65 to 80 basis points. As a result, net profit declined sharply both for the second quarter and the first six months and is also expected to come in significantly lower for the full year.

Balance sheet line items and regulatory capital ratios developed very positively. The inflow of deposits was again strong and loan volumes were likewise up. Volume was boosted, however, by government measures such as loan moratoria and guaranteed loans. Without these, lending growth would have been substantially slower. I would particularly like to highlight the strong capitalisation of Erste Group: end of June 2020, the common equity tier 1 ratio (final) reached a new record high at 14.2%. It is thus substantially above our medium-term target level of 13.5% and far above the regulatory minimum requirement. In addition to sustainable profitability, a strong capital base is important as it is the precondition for the bank's ability to pay dividends. We are therefore confident and determined to pay a cash dividend for the financial year 2019 as well as for 2020 once the recommendation on dividend payments imposed by the supervisory authority is lifted effective 1 January 2021, depending, of course, on the economic and business outlook.

Recent months have been challenging for all of us. I am proud of how quickly the bank has implemented the required changes to ensure the bank's ability to perform its core tasks – supporting our clients in all financial matters. The staff of Erste Group have been taking care of retail customers, professionals and large and small enterprises both locally in the branches and – to an unprecedented extent – working from home. It goes without saying that we have always been striving to offer not only the full range of conventional banking services through both digital and analogue channels, but to also implement governmental and community support measures such as loan moratoria or state guaranteed loans as rapidly and flexibly as possible within the given legal and regulatory framework.

Our customers can rely on us as a strong partner even in unprecedented times. We are confident that the strong performance of the local subsidiaries and hence of Erste Group seen in recent years will now help us to cope with the short- and medium-term challenges posed by Covid-19.

Bernhard Spalt m.p.

Erste Group on the capital markets

EQUITY MARKET REVIEW

After substantial losses in the first quarter of the year as a result of social and economic restrictions imposed in the wake of Covid-19, the stock markets regained some of the lost ground in the months that followed. The recovery was driven by the easing of restrictions after the lockdown, significant support measures initiated by policy-makers, central banks and regulators in an effort to cushion the adverse impacts of the Covid-19 induced crisis on the economy and the resulting positive economic growth outlook for the years ahead.

In the second quarter, the strongest gains were recorded by US indices. The Dow Jones Industrial Index rose 17.8% to 25,812.88 points, down by 9.6% year-to-date. The Standard & Poor's 500 Index advanced 20.0% to 3,100.29 points, a decline of 4.0% since year-end 2019. The broader European Stoxx 600 index improved by 12.6% to 360.34 points and closed the first half of the year down 13.3% year-to-date. At 2,246.72 points, the Austrian Traded Index (ATX) declined by 29.5% year-to-date but rose almost 38% from its lowest level marked this year at 1,630.84 points in mid-March. Banks were among the sectors hit hardest by the market slide and rallied after the massive losses of the previous quarter. The Euro Stoxx Bank Index, which is composed of the leading European bank shares, rose 15.6% to 62.82 points during the reporting period but was still 35.0% lower than at year-end 2019.

A key factor contributing to the rebound of the stock markets since the end of March were the measures taken by major central banks, most importantly the US central bank (Fed) and the European Central Bank (ECB), which provided liquidity and continued their asset purchasing programmes. The ECB stepped up its purchasing programme by EUR 600 billion to EUR 1.35 trillion and extended it at least until mid-2021. After cutting interest rates in March, the Fed also continued its asset purchases. The International Monetary Fund (IMF) expects a temporary contraction of global economic activity by 4.9% in 2020 and growth of 5.4% in 2021. The euro zone countries should see growth of 6% next year after a decline by 10.2% in 2020.

SHARE PERFORMANCE

After the Erste Group share had decreased by almost 50% in the first quarter (in tandem with plummeting stock markets including, most notably, bank shares), it recovered to EUR 20.95 at the end of the reporting period, but was still 37.6% below the closing price recorded at year-end 2019. As the magnitude of the adverse economic impact of the lockdown as well as the governmental measures to mitigate this effect was hard to quantify, the financial outlook of Erste Group for the year 2020 was updated and released at the end of April. The focus of market participants was in particular on lower-than-previously-expected growth in operating income and a significant increase in risk costs in the course of the year against the backdrop of Covid-19-related measures. The Erste Group's annual general meeting and thus the final decision on the dividend for the financial year 2019 were postponed in March and are now scheduled for 10 November 2020.

The Erste Group share is traded on the stock exchanges of Vienna, Prague and Bucharest. In the second quarter of 2020, trading volume on these stock exchanges averaged 1,620,857 shares per day and accounted for about 66% of total trading volume in Erste Group shares.

FUNDING AND INVESTOR RELATIONS

From a long term funding point of view the focus shifted from covered bond issuance to senior preferred notes in the second quarter, as this seniority supports the MREL strategy. In this context Erste Group launched a EUR 750m 7y senior preferred note at MS+115bp.

Due to the attractive interest rate structure of the TLTRO III issued in 2020 Erste Group decided to fully repay its TLTRO II transactions and rolled them into the newly offered tender operations. Given the additional incentive offered by the ECB in March for the special reporting period from June 2020 to June 2021 with a maximum negative interest rate of -1% Erste Group has decided to increase its long term refinancing at the ECB to a total of EUR 9.9 billion outstanding end of June 2020.

As part of extensive measures to contain new cases of Covid-19 infections, banking and investor conferences were organised as virtual events rather than face-to-face meetings. A large number of conferences organised by UBS, Goldman Sachs, Deutsche Bank, BoAML, Danske Bank, Autonomous, and Wood were held as phone or video conferences, as was the road show with investors from the United States and Europe after the release of first quarter 2020 results. In addition, the management and the investor relations team of Erste Group conducted a large number of one-on-one and group meetings as phone and video conferences, in which questions raised by investors and analysts were answered.

Interim management report

In the interim management report, financial results from January-June 2020 are compared with those from January-June 2019 and balance sheet positions as of 30 June 2020 with those as of 31 December 2019.

EARNINGS PERFORMANCE IN BRIEF

Net interest income increased – mainly in Austria, but also in Romania – to EUR 2,396.9 million (+2.9%; EUR 2,329.7 million). **Net fee and commission income** declined to EUR 956.7 million (-2.4%; EUR 980.4 million) as lower income from payment services and lending was offset only partly by higher income from other fee and commission income categories. While **net trading result** declined significantly to EUR -19.2 million (EUR 310.1 million), the line item **gains/losses from financial instruments measured at fair value through profit or loss** improved to EUR 28.5 million (EUR -140.1 million), both line items being impacted by valuation effects due to market volatility amid the Covid-19 outbreak. **Operating income** decreased to EUR 3,471.9 million (-3.4%; EUR 3,592.9 million). **General administrative expenses** declined to EUR 2,114.7 million (-1.5%; EUR 2,146.0 million). While personnel expenses rose to EUR 1,265.5 million (+0.8%; EUR 1,255.9 million, other administrative expenses were reduced to EUR 583.3 million (-6.7%; EUR 625.5 million). Almost all payments into deposit insurance schemes expected for 2020 – EUR 92.3 million (EUR 92.9 million) – are already included in other administrative expenses. Amortisation and depreciation amounted to EUR 265.9 million (EUR 264.6 million). Overall, the **operating result** declined to EUR 1,357.2 million (-6.2%; EUR 1,446.9 million). The **cost/income ratio** rose to 60.9% (59.7%).

Due to net allocations, the **impairment result from financial instruments** amounted to EUR -675.4 million or 82 basis points of average gross customers loans (net releases of EUR 42.8 million or 2 basis points). Allocations to provisions for loans as well as for commitments and guarantees given went up in all core markets. This marked rise in allocations to provisions was primarily driven by the deterioration in the macroeconomic outlook due to Covid-19. A positive contribution came from high income from the recovery of loans already written off in Romania. The **NPL ratio** based on gross customer loans improved to 2.4% (2.5%). The **NPL coverage ratio** increased to 91.1% (77.1%).

Other operating result improved to EUR -169.9 million (EUR -351.0 million). Expenses for the annual contributions to resolution funds included in this line item rose – in particular in Austria – to EUR 93.7 million (EUR 76.3 million). The rise in banking and transaction taxes to EUR 83.0 million (EUR 64.7 million) is primarily attributable to the doubling of banking levies in Slovakia to EUR 33.8 million (EUR 16.0 million) as the change in the law adopted in 2019 took effect as of 1 January 2020. Hungarian banking tax for the entire financial year 2020 was EUR 14.3 million (EUR 12.6 million). In the comparative period, other operating result included allocations to a provision in the amount of EUR 150.8 million set aside for losses expected to result from a supreme court decision concerning the business activities of a Romanian subsidiary.

Taxes on income declined to EUR 140.3 million (EUR 212.7 million). The minority charge decreased to EUR 76.1 million (EUR 205.2 million) due to significantly lower earnings contributions of the savings banks. The **net result attributable to owners of the parent** amounted to EUR 293.8 million (-59.9%; EUR 731.9 million).

Total equity not including AT1 instruments rose to EUR 19.2 billion (EUR 19.0 billion). After regulatory deductions and filtering in accordance with the CRR, **common equity tier 1 capital** (CET1, final) increased to EUR 16.4 billion (EUR 16.3 billion), total **own funds** (final) amounted to EUR 22.0 billion (EUR 22.0 billion). Interim profit is included in the above figures. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR, final) – decreased to EUR 115.3 billion (EUR 118.6 billion). The **common equity tier 1 ratio** (CET1, final) increased to 14.2% (13.7%), the **total capital ratio** to 19.1% (18.5%).

Total assets increased to EUR 264.7 billion (EUR 245.7 billion). On the asset side, cash and cash balances rose to EUR 18.4 billion (EUR 10.7 billion), loans and advances to banks to EUR 27.4 billion (EUR 23.1 billion). **Loans and advances to customers** increased to EUR 163.7 billion (+2.2%; EUR 160.3 billion). On the liability side, deposits from banks grew significantly to EUR 22.0 billion (EUR 13.1 billion) as a result of increased ECB refinancing (TLTROs). **Customer deposits** rose again – in particular in the Czech Republic and Austria – to EUR 182.7 billion (+5.1%; EUR 173.8 billion). The **loan-to-deposit ratio** stood at 89.6% (92.2%).

OUTLOOK

World-wide, the year 2020 has been characterised by the Covid-19 pandemic. The wide-ranging economic and social restrictions imposed to contain the coronavirus have caused significant economic upheaval. The macroeconomic downturn is a direct consequence of the varying degrees of lockdowns of public life imposed by governments world-wide. To mitigate the sometimes dramatic negative impact, all states have passed substantial relief packages ranging from debt moratoria for bank loans, guarantees and bridge financing, short-time work schemes and tax deferrals to direct payments. Central banks have cut interest rates, provided liquidity on an unprecedented scale and decided to buy government and corporate bonds. Bank regulators have reduced capital requirements and recommended a pragmatic interpretation of financial accounting standards as well as postponing dividend payments to a later date.

Against this backdrop, gross domestic product is expected to decline markedly, by four to nine percent, in Austria and Central and Eastern Europe in 2020. This should be followed by a recovery in the year 2021, which, however, will not be following a linear path depending on developments on the health side and the administrative measures taken. With economic activity reduced, operating income is expected to decrease. Specifically, it is expected that 2020 net interest income will decline on the back of substantial rate cuts in the Czech Republic, Romania, Hungary and Serbia, lower organic lending growth, a changed portfolio composition with state-guaranteed business at lower margins and negative currency effects. Net fee and commission income is expected to be adversely affected by weaker economic activity. A decline in net trading and fair value result had already been forecast even before the breakout of the coronavirus in view of the strong positive valuation results posted in 2019. In this environment, operating expenses should improve year on year, supported by lower travel expenses, savings due to increased efficiency and positive foreign currency effects. In 2020, the main impact on profit will come from risk costs: for the full year, risk provisions are expected to amount to 65 to 80 basis points of average gross customer loans. The management board of Erste Group is aiming to frontload as much risk costs as is justifiable based on macroeconomic data and forecasts, the development of company ratings and an assessment of the retail customer portfolio. In the absence of goodwill writedowns, other operating result should improve in 2020 versus 2019, when it was weighed down by substantial one-off effects. The tax rate will very likely rise as profitability in countries with low tax rates is forecast to decline. Overall, net profit is expected to decrease significantly in 2020.

The common equity tier 1 ratio (CET1 ratio) is expected to remain at a solid level offering significant room to manoeuvre should the economic development deteriorate. Medium-term, the Erste Group's target common equity tier 1 ratio continues to be 13.5%. Erste Group is confident and determined to pay a cash dividend for the financial year 2019 as well as for 2020 once the recommendation on dividend payments imposed by the supervisory authority is lifted effective 1 January 2021, depending, of course, on the economic and business outlook.

Potential risks to the guidance are a longer-than-expected duration of the Covid-19 crisis, impacts from other than expected interest rate developments, political or regulatory measures against banks as well as geopolitical and global economic developments. In addition, a deterioration of the economic environment could lead to goodwill writedowns. Erste Group is moreover exposed to legal risks that may materialise regardless of the economic environment.

PERFORMANCE IN DETAIL

in EUR million	1-6 19	1-6 20	Change
Net interest income	2,329.7	2,396.9	2.9%
Net fee and commission income	980.4	956.7	-2.4%
Net trading result and gains/losses from financial instruments at FVPL	169.9	9.3	-94.5%
Operating income	3,592.9	3,471.9	-3.4%
Operating expenses	-2,146.0	-2,114.7	-1.5%
Operating result	**1,446.9**	**1,357.2**	**-6.2%**
Impairment result from financial instruments	42.8	-675.4	n/a
Other operating result	-351.0	-169.9	-51.6%
Levies on banking activities	-64.7	-83.0	28.2%
Pre-tax result from continuing operations	**1,149.8**	**510.1**	**-55.6%**
Taxes on income	-212.7	-140.3	-34.0%
Net result for the period	**937.1**	**369.8**	**-60.5%**
Net result attributable to non-controlling interests	205.2	76.1	-62.9%
Net result attributable to owners of the parent	**731.9**	**293.8**	**-59.9%**

Net interest income

Net interest income increased to EUR 2,396.9 million (EUR 2,329.7 million). Rises in net interest income were recorded in Austria and Romania. In Austria (Holding), positive impacts came from more favourable ECB refinancing and lower negative interest from deposits with the ECB. Included in net interest income are modification losses mainly resulting from moratoria on loan repayments due to Covid-19 in the amount of EUR 31.7 million. The net interest margin (net interest income as a percentage of average interest-bearing assets) stood at 2.10% (2.18%).

Net fee and commission income

Net fee and commission income decreased to EUR 956.7 million (EUR 980.4 million). Declines were recorded in payment services and in almost all segments of the lending business. Growth – primarily in Austria – was driven mainly by the securities business and asset management. In Slovakia, income from insurance brokerage commissions increased.

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

Valuation effects have a substantial impact on both positions: net trading result & gains/losses from financial instruments measured at fair value through profit or loss. Debt securities issued measured at FV through profit or loss were affected most heavily – the relevant valuation result is shown in the line item gains/losses from financial instruments measured at fair value through profit or loss while valuation results of corresponding hedges are shown in net trading result – as were financial assets in the fair value and trading portfolios.

Due to valuation effects resulting from interest rate developments, net trading result decreased significantly to EUR -19.2 million (EUR 310.1 million). On the other hand, gains/losses from financial instruments measured at fair value through profit or loss rose to EUR 28.5 million (EUR 140.1 million). While income from the valuation of debt securities in issue was positive due to the development of interest rates, securities portfolios recorded negative valuation effects, most notably at the savings banks in Austria.

General administrative expenses

in EUR million	1-6 19	1-6 20	Change
Personnel expenses	1,255.9	1,265.5	0.8%
Other administrative expenses	625.6	583.3	-6.7%
Depreciation and amortisation	264.6	265.9	0.5%
General administrative expenses	**2,146.0**	**2,114.7**	**-1.5%**

General administrative expenses declined to EUR 2,114.7 million (EUR 2,146.0 million). **Personnel expenses** increased to EUR 1,265.5 million (EUR 1,255.9 million) as the decline in Austria was more than offset by the moderate increases in almost all other core markets, primarily in Slovakia due to a one-time payment under a special collective agreement. **Other administrative expenses** decreased to EUR 583.3 million (EUR 625.6 million) on the back of lower marketing and consulting expenses. Contributions to deposit insurance systems – except for Croatia and Serbia already for the full year – were largely unchanged at EUR 92.3 million (EUR 92.9 million). In Austria, contributions increased strongly to EUR 62.7 million (EUR 52.6 million), while they declined in Romania to EUR 4.4 million (EUR 12.7 million). **Depreciation and amortisation** amounted to EUR 265.9 million (EUR 264.6 million).

Headcount as of end of the period

	Dec 19	Jun 20	Change
Austria	**16,313**	**16,213**	**-0.6%**
Erste Group, EB Oesterreich and subsidiaries	9,153	9,125	-0.3%
Haftungsverbund savings banks	7,160	7,088	-1.0%
Outside Austria	**30,971**	**31,338**	**1.2%**
Česká spořitelna Group	9,679	9,946	2.8%
Banca Comercială Română Group	6,766	6,845	1.2%
Slovenská sporiteľňa Group	4,081	4,010	-1.7%
Erste Bank Hungary Group	3,174	3,211	1.2%
Erste Bank Croatia Group	3,341	3,314	-0.8%
Erste Bank Serbia Group	1,135	1,169	3.0%
Savings banks subsidiaries	1,615	1,619	0.2%
Other subsidiaries and foreign branch offices	1,180	1,223	3.7%
Total	**47,284**	**47,552**	**0.6%**

Operating result

Due to the significant decline of the net trading and fair value result, operating income decreased to EUR 3,471.9 million (-3.4%; EUR 3,592.2 million). General administrative expenses were reduced to EUR 2,114.7 million (-1.5%; EUR 2,146.0 million) on the back of lower other administrative expenses, despite an increase in personnel expenses. Operating result declined to EUR 1,357.2 million (-6.2%; EUR 1,446.9 million). The cost/income ratio stood at 60.9% (59.7%).

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

Losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 1.8 million (gains of EUR 11.0 million). This line item includes primarily gains/losses from the sale of securities.

Impairment result from financial instruments

Due to net allocations, the impairment result from financial instruments amounted to EUR -675.4 million (net releases of EUR 42.8 million). Net allocations to provisions for commitments and guarantees given amounted to EUR 70.6 million (net releases of EUR 57.7 million). The significant rise in allocations to provisions for loans was primarily driven by the deterioration in the macroeconomic outlook due to Covid-19. Positive contributions came from high income from the recovery loans already written off – primarily in Romania – in the amount of EUR 88.6 million (EUR 71.6 million).

Other operating result

Other operating result improved to EUR -169.9 million (EUR -351.0 million). Levies on banking activities rose to EUR 83.0 million (EUR 64.7 million). While banking tax in Slovakia doubled to EUR 33.8 million (EUR 16.0 million) due to a change in the applicable law as of 1 January 2020, levies payable in Austria were nearly unchanged at EUR 12.6 million (EUR 12.1 million). Hungarian banking tax for the entire year 2020 rose to EUR 14.3 million (EUR 12.6 million). Together with the financial transaction tax of EUR 22.3 million (EUR 24.0 million), banking levies in Hungary totalled EUR 36.6 million (EUR 36.6 million).

The negative balance of allocations/releases of other provisions decreased markedly to EUR -5.3 million (EUR -172.0 million), as in the comparative period a provision in the amount of EUR 150.8 had been set aside for losses expected from a supreme court decision concerning the business activities of a Romanian subsidiary. In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 93.7 million (EUR 76.3 million). Increases were recorded above all in Austria to EUR 43.6 million (EUR 33.4 million), in the Czech Republic to EUR 29.2 million (EUR 26.4 million), and in Slovakia to EUR 4.0 million (EUR 3.1 million).

Net result

The pre-tax result from continuing operations amounted to EUR 510.1 million (EUR 1,149.8 million). Taxes on income declined to EUR 140.3 million (EUR 212.7 million). The minority charge decreased to EUR 76.1 million (EUR 205.2 million) due to substantially lower earnings contributions of savings banks. The net result attributable to owners of the parent amounted to EUR 293.8 million (EUR 731.9 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Financial results from the second quarter of 2020 are compared with those from the first quarter of 2020.

in EUR million	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Income statement					
Net interest income	1,168.8	1,187.7	1,229.5	1,229.0	1,167.9
Net fee and commission income	492.7	503.9	515.9	504.2	452.5
Dividend income	18.4	5.1	3.8	1.5	13.3
Net trading result	156.8	109.2	-101.0	-157.4	138.2
Gains/losses from financial instruments measured at fair value through profit or loss	-63.0	-49.2	164.9	37.5	-8.9
Net result from equity method investments	5.2	3.1	7.0	3.3	2.6
Rental income from investment properties & other operating leases	42.4	41.5	41.7	44.8	43.5
Personnel expenses	-633.9	-631.3	-650.0	-630.0	-635.5
Other administrative expenses	-267.3	-253.8	-325.8	-344.8	-238.6
Depreciation and amortisation	-129.1	-129.8	-146.6	-136.5	-129.4
Gains/losses from derecognition of financial assets at AC	0.6	-1.3	1.3	0.4	-0.1
Other gains/losses from derecognition of financial instruments not at FVPL	9.4	7.9	5.5	-1.7	-0.5
Impairment result from financial instruments	7.1	0.1	-82.1	-61.7	-613.7
Other operating result	-219.9	-46.2	-230.9	-127.6	-42.3
Levies on banking activities	-25.9	-26.2	-37.1	-49.9	-33.1
Pre-tax result from continuing operations	**588.0**	**746.8**	**433.2**	**361.3**	**148.8**
Taxes on income	-117.2	-138.2	-67.8	-103.0	-37.3
Net result for the period	**470.8**	**608.6**	**365.4**	**258.3**	**111.5**
Net result attributable to non-controlling interests	115.9	117.6	118.2	23.0	53.0
Net result attributable to owners of the parent	**354.9**	**491.1**	**247.2**	**235.3**	**58.5**

Net interest income declined to EUR 1,167.9 million (EUR 1,229.0 million), most sharply in the Czech Republic due to interest rate developments. In all core markets, net interest income was adversely impacted by moratoria on loan repayments. In Austria, net interest income was up as a result of monetary policy measures taken by the ECB in response to Covid-19. **Net fee and commission income** decreased to EUR 452.5 million (-10.3%; EUR 504.2 million), in particular in Austria and the Czech Republic. Dividend income rose to EUR 13.3 million (EUR 1.5 million). The increase in **net trading result** to EUR 138.2 million (EUR -157.4 million) is attributable to valuation effects in the derivatives and securities business resulting from interest rate developments and higher income from foreign exchange trading. Gains/losses from financial instruments measured at fair value through profit or loss declined to EUR -8.9 million (EUR 37.5 million), primarily due to valuation losses of debt securities in issue driven by interest rate developments. On the other hand, gains were posted from the valuation of securities portfolios, mainly at the savings banks.

Other administrative expenses declined to EUR 1,003.5 million (-9.7%; EUR 1,111.2 million). While personnel expenses increased to EUR 635.5 million (+0.9%; EUR 630.0 million), other administrative expenses declined to EUR 238.6 million (-30.8%; EUR 344.8 million). Depreciation and amortisation decreased to EUR 129.4 million (-5.2%; EUR 136.5 million). The **cost/income ratio** stood at 55.5% (66.8%).

Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss improved to EUR -0.6 million (EUR -1.2 million). The **impairment result from financial instruments** amounted to EUR -613.7 million (EUR -61.6 million). The negative net balance of allocation/release of provisions for the lending business was driven by the deterioration in the macroeconomic outlook due to Covid-19.

Other operating result declined to EUR -42.3 million (EUR -127.6 million). Levies on banking activities amounted to EUR 33.1 million (EUR 49.9 million). Thereof, EUR 9.8 million (EUR 26.8 million) were charged in Hungary. This amount reflects almost exclusively transaction taxes as the full amount of 2020 banking tax of EUR 14.2 million had already been posted upfront in the previous quarter. In Slovakia, banking tax was unchanged at EUR 16.9 million (EUR 16.9 million), likewise in Austria at EUR 6.4 million (EUR 6.2 million). Contributions to resolution funds included in this line item amounted to EUR 9.8 million (EUR 84.0 million).

The **pre-tax result** declined to EUR 148.8 million (EUR 361.3 million). Taxes on income amounted to EUR 37.3 million (EUR 103.0 million). The minority charge rose to EUR 53.0 million (EUR 23.0 million). The **net result attributable to owners of the parent** decreased to EUR 58.5 million (EUR 235.3 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 19	Jun 20	Change
Assets			
Cash and cash balances	10,693	18,433	72.4%
Trading, financial assets	44,295	47,667	7.6%
Loans and advances to banks	23,055	27,418	18.9%
Loans and advances to customers	160,270	163,736	2.2%
Intangible assets	1,368	1,331	-2.7%
Miscellaneous assets	6,012	6,106	1.6%
Total assets	**245,693**	**264,692**	**7.7%**
Liabilities and equity			
Financial liabilities held for trading	2,421	2,737	13.0%
Deposits from banks	13,141	21,984	67.3%
Deposits from customers	173,846	182,670	5.1%
Debt securities issued	30,371	29,431	-3.1%
Miscellaneous liabilities	5,437	6,669	22.7%
Total equity	20,477	21,200	3.5%
Total liabilities and equity	**245,693**	**264,692**	**7.7%**

The rise in **cash and cash balances** to EUR 18.4 billion (EUR 10.7 billion) was primarily due to large cash balances held at central banks. **Trading and investment securities** held in various categories of financial assets increased to EUR 47.7 billion (EUR 44.3 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, increased primarily in the Czech Republic and in Hungary to EUR 27.4 billion (EUR 23.1 billion). **Loans and advances to customers (net)** rose – most importantly in Austria – to EUR 163.7 billion (EUR 160.3 billion) driven by corporate loan growth. In the Czech Republic, the effect of strong growth in local currency was offset by the depreciation of the Czech koruna.

Loan loss allowances for loans to customers rose to EUR 3.7 billion (EUR 3.2 billion). The increase reflected the deterioration in the macroeconomic outlook due to Covid-19. The **NPL ratio** – non–performing loans as a percentage of gross customer loans – improved to 2.4% (2.5%), the **NPL coverage ratio** (based on gross customer loans) to 91.1% (77.1%).

Intangible assets remained nearly unchanged at EUR 1.3 billion (EUR 1.4 billion). **Miscellaneous assets** amounted to EUR 6.1 billion (EUR 6.0 billion).

Financial liabilities – held for trading increased to EUR 2.7 billion (EUR 2.4 billion). **Deposits from banks,** primarily in the form of term deposits, rose to EUR 22.0 billion (EUR 13.1 billion), primarily on the back of higher ECB refinancing volumes (TLTROs); **deposits from customers** increased to EUR 182.7 billion (EUR 173.8 billion), mainly due to strong growth in overnight deposits and repurchase transactions (leasing liabilities of EUR 0.5 billion were not included in this position). The **loan-to-deposit ratio** stood at 89.6% (92.2%). **Debt securities in issue** declined to EUR 29.4 billion (EUR 30.4 billion). **Miscellaneous liabilities** amounted to EUR 6.7 billion (EUR 5.4 billion).

Total assets rose to EUR 264.7 billion (EUR 245.7 billion). **Total equity** increased to EUR 21.2 billion (EUR 20.5 billion). Following four issuances (in June 2016, April 2017, March 2019 and January 2020), this includes AT1 instruments in the amount of EUR 1,987.5 million. After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) **common equity tier 1 capital** (CET1, CRR final) rose to EUR 16.4 billion (EUR 16.3 billion). Total **own funds** (CRR final) remained stable at EUR 22.0 billion (EUR 22.0 billion). Interim profit is included in the above figures. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR final) – decreased to EUR 115.3 billion (EUR 118.6 billion) due to the positive impact of the application of the SME support factor. The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR final), increased to 19.1% (18.5%), well above the legal minimum requirement. The **tier 1 ratio** went up to 15.9% (15.0%), the **common equity tier 1 ratio** to 14.2% (13.7%) (both ratios CRR final).

SEGMENT REPORTING

January-June 2020 compared with January-June 2019

Erste Group's segment reporting is based on a matrix organisation. It provides comprehensive information to assess the business and geographic performance. The tables and information below provide a brief overview and focus on selected and summarised items. For more details please see Note 28. At www.erstegroup.com/investorrelations additional information is available in Excel format.

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

BUSINESS SEGMENTS

Retail

in EUR million	1-6 19	1-6 20	Change
Net interest income	1,128.4	1,063.8	-5.7%
Net fee and commission income	532.4	504.0	-5.3%
Net trading result and gains/losses from financial instruments at FVPL	54.6	40.6	-25.7%
Operating income	1,733.6	1,622.5	-6.4%
Operating expenses	-1,031.3	-1,029.9	-0.1%
Operating result	702.2	592.6	-15.6%
Cost/income ratio	59.5%	63.5%	
Impairment result from financial instruments	-17.2	-245.1	>100.0%
Other result	-179.7	-51.1	-71.6%
Net result attributable to owners of the parent	385.2	241.0	-37.4%
Return on allocated capital	23.2%	15.3%	

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

The decrease in net interest income was primarily driven by lower contributions from deposit business in Austria, Romania, Croatia, Slovakia and in the Czech Republic. Lending business in the Czech Republic declined primarily on the depreciation of the Czech koruna against the euro and negative impact of loan repayment moratoria leading to modification losses. These negative effects were partially mitigated by the growth of customer loan volumes in all core markets. Net fee and commission income decreased mainly due to lower fees from payments in the Czech Republic, Hungary, Romania, Croatia and Slovakia as well as lower fees from lending business in the Czech Republic, Austria, Romania and Slovakia mostly on changed disclosure of the fees charged for early loan repayment. Higher fees from securities business in Austria, the Czech Republic, Romania and Hungary and improved fees from insurance brokerage mostly in the Czech Republic could not fully mitigate these developments. Net trading result and gains/losses from financial instruments FVPL decreased due to lower foreign currency transactions in the Czech Republic and negative valuation effects in Hungary. Operating expenses remained almost unchanged. Consequently, operating result declined and the cost/income ratio worsened. The deterioration of impairment result from financial instruments was primarily driven by updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19 crisis. The non-recurrence of a provision in the amount of EUR 150.8 million in Romania as a result of a Romanian High Court decision in relation to the business activities of a local subsidiary, the local building society) led to an improvement of the other result. Overall, the net result attributable to the owners of the parent decreased.

Corporates

in EUR million	1-6 19	1-6 20	Change
Net interest income	528.5	555.1	5.0%
Net fee and commission income	145.8	134.8	-7.5%
Net trading result and gains/losses from financial instruments at FVPL	53.4	14.1	-73.6%
Operating income	781.0	759.0	-2.8%
Operating expenses	-281.9	-265.8	-5.7%
Operating result	499.1	493.3	-1.2%
Cost/income ratio	36.1%	35.0%	
Impairment result from financial instruments	40.4	-275.6	n/a
Other result	-33.2	-32.4	-2.5%
Net result attributable to owners of the parent	395.6	114.0	-71.2%
Return on allocated capital	18.4%	6.2%	

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

Net interest income increased primarily due to higher loan volumes in the Holding and positive contribution of lending business in Slovakia, the Czech Republic and Hungary. Net fee and commission income went down as a result of lower payment and lending fees mainly in Romania, Croatia and the Czech Republic. Net trading result and gains/losses from financial instruments at FVPL decreased due to negative valuation effects mainly in the Holding, the Czech Republic and Slovakia. Overall, operating income declined. Operating expenses decreased in several core markets. Although operating result declined the cost/income ratio improved. The increase of risk provisions (line item impairment result from financial instruments) across all core markets resulted from the updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19 crisis. Other result improved mainly on the back of the non-recurrence of a provision for a legal case in Croatia. The net result attributable to the owners of the parent decreased significantly.

Group Markets

in EUR million	1-6 19	1-6 20	Change
Net interest income	120.5	133.3	10.6%
Net fee and commission income	110.2	115.0	4.4%
Net trading result and gains/losses from financial instruments at FVPL	29.7	-12.0	n/a
Operating income	262.7	236.4	-10.0%
Operating expenses	-118.8	-111.7	-6.0%
Operating result	143.9	124.7	-13.3%
Cost/income ratio	45.2%	47.2%	
Impairment result from financial instruments	4.5	-11.4	n/a
Other result	-9.4	-13.8	46.8%
Net result attributable to owners of the parent	109.4	77.8	-28.9%
Return on allocated capital	23.1%	18.1%	

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

Net interest income went up primarily on the back of higher money market and reverse repos volumes in the Holding. Net fee and commission income increased mostly due to higher securities fees driven by origination and sales business with institutional clients in Austria. The majority of the other core markets posted higher fee result as well. Net trading result and gains/losses from financial instruments at FVPL decreased sharply due to valuation results of interest rate derivatives as well as significant decrease in market prices of fair value securities. Overall, operating income decreased. Although operating expenses went down, operating result decreased and the cost/income ratio deteriorated. Impairment result from financial instruments deteriorated due to risk provisioning in the Holding. Other result deteriorated on the back of higher resolution fund contributions and higher banking tax in Slovakia. Overall, the net result attributable to the owners of the parent declined.

Asset/Liability Management & Local Corporate Center

in EUR million	1-6 19	1-6 20	Change
Net interest income	-38.8	18.2	n/a
Net fee and commission income	-39.8	-41.4	4.1%
Net trading result and gains/losses from financial instruments at FVPL	15.0	-1.6	n/a
Operating income	-40.6	-3.5	-91.3%
Operating expenses	-70.4	-66.1	-6.0%
Operating result	-110.9	-69.7	-37.2%
Cost/income ratio	>100%	>100%	
Impairment result from financial instruments	3.3	-5.4	n/a
Other result	-57.4	-61.6	7.4%
Net result attributable to owners of the parent	-151.0	-122.6	-18.8%
Return on allocated capital	-10.5%	-8.6%	

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

Net interest income improved primarily due to higher contribution from deposits in Erste Bank Oesterreich, Romania, Croatia, and Slovakia and higher contribution from balance sheet management in Czech Republic, which was partially offset by a lower result from derivatives in the Holding. Net fee and commission income remained largely unchanged. Net trading result and gains/losses from financial instruments at FVPL decreased due to valuation results in the Holding and in Erste Bank Oesterreich. Operating expenses declined mainly due to lower deposit insurance fund contributions in Romania. Overall, operating result improved. Other result deteriorated as higher banking tax in Slovakia and resolution fund contribution in Erste Bank Oesterreich were only partially offset by real estate selling gains in Austria and the Czech Republic. The net result attributable to the owners of the parent thus improved.

Savings Banks

in EUR million	1-6 19	1-6 20	Change
Net interest income	517.0	532.1	2.9%
Net fee and commission income	236.2	255.2	8.0%
Net trading result and gains/losses from financial instruments at FVPL	39.5	-25.6	n/a
Operating income	814.3	782.9	-3.9%
Operating expenses	-546.3	-556.2	1.8%
Operating result	267.9	226.7	-15.4%
Cost/income ratio	67.1%	71.0%	
Impairment result from financial instruments	10.7	-140.8	n/a
Other result	-6.6	-10.4	56.9%
Net result attributable to owners of the parent	32.3	16.7	-48.2%
Return on allocated capital	12.9%	3.4%	

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

The increase in net interest income was primarily driven by higher customer loan volumes and the inclusion of the income of a new subsidiary of a savings bank. Net fee and commission income increased on the back of higher securities as well as payment and lending fees. The worsening of net trading result and gains/losses from financial instruments at FVPL was primarily driven by the valuation of debt securities. Operating expenses rose mainly due to higher IT expenses, increased deposit insurance contributions of EUR 35.0 million (EUR 30.5 million) and the costs of the newly acquired entity. Operating result as well as the cost/income ratio worsened. Impairment result from financial instruments deteriorated significantly on updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19 crisis. Other result worsened on higher contributions to the resolution fund of EUR 9.5 million (EUR 7.9 million). Banking tax remained almost unchanged at EUR 2.2 million (EUR 2.1 million). Overall, the net result attributable to the owners of the parent decreased.

Group Corporate Center

in EUR million	1-6 19	1-6 20	Change
Net interest income	45.3	41.3	-8.8%
Net fee and commission income	-4.4	7.1	n/a
Net trading result and gains/losses from financial instruments at FVPL	12.8	34.9	>100.0%
Operating income	48.8	80.6	65.1%
Operating expenses	-479.3	-496.8	3.7%
Operating result	-430.5	-416.2	-3.3%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	1.1	3.0	>100.0%
Other result	321.5	403.4	25.5%
Net result attributable to owners of the parent	-39.6	-33.2	-15.9%
Return on allocated capital	-1.6%	-0.9%	

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

Net trading result and gains/losses from financial instruments at FVPL improved markedly on the back of the higher valuation effects. Operating expenses increased on higher costs in service providing entities. Overall, operating result improved. Other result went up on the back of higher valuation effects. The net result attributable to the owners of the parent improved.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-6 19	1-6 20	Change
Net interest income	311.8	321.0	2.9%
Net fee and commission income	196.1	201.3	2.6%
Net trading result and gains/losses from financial instruments at FVPL	14.4	5.4	-62.6%
Operating income	548.8	563.5	2.7%
Operating expenses	-358.3	-352.8	-1.5%
Operating result	190.5	210.7	10.6%
Cost/income ratio	65.3%	62.6%	
Impairment result from financial instruments	-1.0	-81.5	>100.0%
Other result	-17.6	-8.1	-54.1%
Net result attributable to owners of the parent	125.5	71.9	-42.7%
Return on allocated capital	15.1%	10.9%	

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

Net interest income increased due to higher loan volumes and lower interest expense for building society deposits. Net fee and commission income raised on the back of higher securities, insurance brokerage and payment fees. The decline in net trading result and gains/losses from financial instruments at FVPL was primarily driven by the non-recurrence of a positive valuation of a participation. Operating expenses decreased mainly due to lower personnel and marketing expenses, while the deposit insurance contribution went up to EUR 27.6 million (EUR 22.0 million). Consequently, operating result increased and the cost/income ratio improved. The deterioration of impairment result from financial instruments was driven by higher provisioning requirements in the retail and SME business, mainly related to updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19 crisis. Other result improved due to selling gains for real estate, which was partially offset by a shift of expenses from rental income from investment properties and other operating lease to other result. Payments into the resolution fund increased to EUR 10.5 million (EUR 7.9 million). Banking tax remained unchanged at EUR 1.8 million (EUR 1.8 million). Overall, the net result attributable to the owners of the parent declined.

Savings Banks

The geographical segment Savings Banks is identical to the business segment Savings Banks (see page 10).

Other Austria

in EUR million	1-6 19	1-6 20	Change
Net interest income	187.8	226.9	20.8%
Net fee and commission income	113.4	118.6	4.6%
Net trading result and gains/losses from financial instruments at FVPL	-5.0	-46.2	>100.0%
Operating income	325.5	323.2	-0.7%
Operating expenses	-185.0	-176.6	-4.5%
Operating result	140.5	146.6	4.3%
Cost/income ratio	56.8%	54.6%	
Impairment result from financial instruments	11.8	-110.7	n/a
Other result	18.3	5.8	-68.2%
Net result attributable to owners of the parent	131.7	31.0	-76.4%
Return on allocated capital	12.8%	3.3%	

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

Net interest income increased primarily due to growth of corporate lending volumes as well as money market and reverse repo volumes in the Holding. Net fee and commission income increased due to higher securities fees driven by origination and sales business with institutional clients in group markets business and a better result in Erste Asset Management. Net trading result and gains/losses from financial instruments at FVPL decreased significantly due to valuation results of interest rate derivatives and a sharp decline in market prices of fair value securities. Overall operating income remained nearly stable. Operating result improved driven by decrease of operating expenses, mostly related to IT and projects. Thus, the cost/income ratio improved. The impairment result from financial instruments deteriorated significantly due to an increased provisioning level in corporate business, mainly related to updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19. Other result decreased on non-recurrence of last year's selling gains. Other result included also the resolution fund contribution of EUR 4.2 million (EUR 3.3 million). Overall, the net result attributable to the owners of the parent deteriorated significantly.

Czech Republic

in EUR million	1-6 19	1-6 20	Change
Net interest income	554.2	533.4	-3.8%
Net fee and commission income	173.3	151.0	-12.8%
Net trading result and gains/losses from financial instruments at FVPL	60.2	44.9	-25.4%
Operating income	795.5	733.9	-7.7%
Operating expenses	-371.2	-371.9	0.2%
Operating result	424.3	362.0	-14.7%
Cost/income ratio	46.7%	50.7%	
Impairment result from financial instruments	7.7	-135.8	n/a
Other result	-26.1	-30.6	16.9%
Net result attributable to owners of the parent	325.8	155.1	-52.4%
Return on allocated capital	26.4%	12.1%	

The segment analysis is done on a constant currency basis. The CZK depreciated by 2.5% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) decreased primarily due to lower interest rate environment as well as a loan repayment moratorium leading to modification losses. Net fee and commission income decreased due to lower maintenance fees for current account in the retail segment as well as lower payment fees on the back of the euro cross border payments regulation SEPA and the Covid-19 impact. In addition, lending fees declined on changed disclosure of the fees charged for early loan repayment. These developments were partially offset by an increase in securities fees. The lower result from net trading and from gains/losses from financial instruments at FVPL was attributable to negative valuation effects. Despite higher personnel costs as well as higher depreciation operating expenses remained almost flat in EUR terms. The deposit insurance contribution amounted to EUR 10.2 million (EUR 10.3 million). Overall, operating result declined, the cost/income ratio worsened. Impairment result from financial instruments deteriorated due to updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19 crisis. The other result deteriorated mainly due to higher contributions to the resolution fund of EUR 29.2 million (EUR 26.5 million). Altogether, these developments led to a decrease in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-6 19	1-6 20	Change
Net interest income	216.2	219.5	1.5%
Net fee and commission income	67.9	67.9	0.0%
Net trading result and gains/losses from financial instruments at FVPL	9.5	3.4	-64.6%
Operating income	298.5	293.3	-1.7%
Operating expenses	-138.7	-144.6	4.3%
Operating result	159.8	148.7	-6.9%
Cost/income ratio	46.5%	49.3%	
Impairment result from financial instruments	-18.6	-63.5	>100.0%
Other result	-18.4	-40.0	>100.0%
Net result attributable to owners of the parent	99.1	34.8	-64.8%
Return on allocated capital	19.0%	6.3%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) increased mainly due to the changed disclosure of prepayment fees resulting in a shift from the line item net fee and commission income. As a consequence, net fee and commission income remained stable despite higher fees for cards, securities, insurance brokerage and lending. Net trading result and gains/losses from financial instruments at FVPL deteriorated due to valuation effects. Operating expenses increased on the back of higher personnel and IT expenses partially compensated by lower depreciation. Deposit insurance contribution amounted to EUR 1.1 million (EUR 1.0 million). Overall, operating result decreased and the cost/income ratio worsened. Impairment result from financial instruments deteriorated due to higher provisions in retail and corporate business, mainly caused by updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19 crisis. Other result deteriorated due to the increase of banking tax to EUR 33.8 million (EUR 16.0 million) as well as the payment into the resolution fund to EUR 4.0 million (EUR 3.1 million). Overall, the net result attributable to the owners of the parent decreased.

Romania

in EUR million	1-6 19	1-6 20	Change
Net interest income	210.1	220.5	4.9%
Net fee and commission income	77.8	65.6	-15.6%
Net trading result and gains/losses from financial instruments at FVPL	34.4	29.7	-13.7%
Operating income	332.4	327.5	-1.5%
Operating expenses	-183.1	-167.2	-8.7%
Operating result	149.3	160.3	7.4%
Cost/income ratio	55.1%	51.0%	
Impairment result from financial instruments	18.7	-35.3	n/a
Other result	-168.6	-11.7	-93.0%
Net result attributable to owners of the parent	-24.6	81.5	n/a
Return on allocated capital	-3.4%	12.0%	

The segment analysis is done on a constant currency basis. The RON depreciated by 1.6% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) improved on the back of increasing customer loan volumes in retail and corporate business. Net fee and commission income declined due to lower payment and lending fees, mitigated by higher securities fees. Net trading result and gains/losses from financial instruments at FVPL decreased primarily due to the revaluation of participations. Operating expenses decreased mainly due to lower deposit insurance contributions of EUR 4.4 million (EUR 12.7 million), lower depreciation, legal and consultancy expenses. Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated driven by updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19 crisis. The non-recurrence of a provision in the amount of EUR 150.8 million as a result of a Romanian High Court decision in relation to the business activities of a subsidiary, the local building society, led to an improvement of the other result. The resolution fund contribution amounted to EUR 7.7 million (EUR 6.6 million). The net result attributable to the owners of the parent increased considerably.

Hungary

in EUR million	1-6 19	1-6 20	Change
Net interest income	105.0	103.7	-1.2%
Net fee and commission income	90.7	87.3	-3.7%
Net trading result and gains/losses from financial instruments at FVPL	19.9	9.9	-50.3%
Operating income	218.5	204.6	-6.4%
Operating expenses	-110.3	-110.5	0.2%
Operating result	108.3	94.2	-13.0%
Cost/income ratio	50.5%	54.0%	
Impairment result from financial instruments	14.9	-49.9	n/a
Other result	-41.7	-39.3	-6.0%
Net result attributable to owners of the parent	71.8	-4.9	n/a
Return on allocated capital	14.7%	-1.1%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 7.8% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased in local currency terms driven by higher customer loan and deposit volumes despite the negative effect of loan moratoria leading to modification losses. Net fee and commission income rose in local currency terms predominantly due to higher securities fees. Net trading result and gains/losses from financial instruments at FVPL decreased on a lower valuation result. Operating expenses went up in local currency terms on the back of higher personnel and IT costs. Deposit insurance contributions decreased to EUR 6.2 million (EUR 8.5 million). Overall, operating result and the cost/income ratio deteriorated. Significantly higher risk costs (reflected in the impairment result from financial instruments) were caused by updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19 crisis. Other result improved slightly on selling gains from non-financial assets. This line item also included the banking tax of EUR 14.3 million (EUR 12.6 million), transaction tax of EUR 22.3 million (EUR 24.0 million) and the contribution to the resolution fund of EUR 3.5 million (EUR 2.8 million). Overall, the net result attributable to the owners of the parent decreased.

Croatia

in EUR million	1-6 19	1-6 20	Change
Net interest income	136.8	134.4	-1.7%
Net fee and commission income	49.7	44.1	-11.2%
Net trading result and gains/losses from financial instruments at FVPL	16.7	9.8	-41.3%
Operating income	210.6	195.1	-7.4%
Operating expenses	-112.4	-111.2	-1.1%
Operating result	98.2	83.9	-14.6%
Cost/income ratio	53.4%	57.0%	
Impairment result from financial instruments	-3.1	-52.8	>100.0%
Other result	-25.0	-10.2	-59.1%
Net result attributable to owners of the parent	38.5	18.7	-51.4%
Return on allocated capital	14.5%	6.4%	

The segment analysis is done on a constant currency basis. The HRK depreciated by 1.5% against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) decreased as the negative effect of loan moratoria leading to modification losses outweighed growth in retail and corporate loan volumes. Net fee and commission income decreased on the back of lower payment fees in retail and corporate business on the back of the SEPA regulation on cross border payments. Net trading result and gains/losses from financial instruments at FVPL declined due to a lower result from foreign exchange transactions and valuation effects. Operating expenses went down due to lower marketing as well as travel costs and included a EUR 6.0 million (EUR 5.6 million) deposit insurance contribution. Overall, operating result decreased, the cost/income ratio went up. The deterioration of impairment result from financial instruments was predominantly driven by updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19 crisis. Other result improved mainly due to significantly lower provisions for legal expenses. This line item included resolution fund contribution in the amount of EUR 5.7 million (EUR 3.9 million). Overall, the net result attributable to the owners of the parent decreased.

Serbia

in EUR million	1-6 19	1-6 20	Change
Net interest income	27.7	30.7	10.9%
Net fee and commission income	6.6	7.5	12.7%
Net trading result and gains/losses from financial instruments at FVPL	2.3	1.8	-20.9%
Operating income	36.7	40.1	9.1%
Operating expenses	-28.7	-27.5	-4.0%
Operating result	8.1	12.5	55.8%
Cost/income ratio	78.1%	68.7%	
Impairment result from financial instruments	-0.2	-7.7	>100.0%
Other result	-0.5	-0.4	-17.7%
Net result attributable to owners of the parent	5.5	3.5	-36.0%
Return on allocated capital	6.1%	4.2%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) appreciated by 0.5% against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased on the back of higher loan volumes in retail and corporate business. Net fee and commission income went up due to higher payment and documentary business fees. Net trading result and gains/losses from financial instruments at FVPL decreased driven by securities valuation. Operating expenses declined due to lower IT costs and a reduced deposit insurance contribution of EUR 1.7 million (EUR 2.3 million). Operating result thus increased and the cost/income ratio improved. Impairment result from financial instruments deteriorated due to higher provisions in corporate and retail business driven by updated risk parameters with forward looking information used in the calculation of credit loss allowances and stage overlays as a consequence of Covid-19 crisis. Overall, the net result attributable to the owners of the parent decreased.

Other

in EUR million	1-6 19	1-6 20	Change
Net interest income	63.1	74.7	18.4%
Net fee and commission income	-31.3	-41.9	34.0%
Net trading result and gains/losses from financial instruments at FVPL	-22.0	-23.7	7.8%
Operating income	12.2	7.9	-35.3%
Operating expenses	-112.1	-96.3	-14.1%
Operating result	-100.0	-88.4	-11.5%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	1.9	2.5	34.2%
Other result	-53.7	-26.9	-50.0%
Net result attributable to owners of the parent	-73.6	-114.6	55.7%
Return on allocated capital	-2.5%	-3.1%	

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

Operating income remained largely stable. The decrease of operating expenses on the back of higher intercompany effects resulted in an improvement of operating result. Other result improved on the back of positive valuation effects. As the tax charge developed negatively, the net result attributable to the owners of the parent decreased.

Condensed interim consolidated financial statements

Interim report – 1 January to 30 June 2020

Consolidated statement of income

in EUR thousand	Notes	1-6 19	1-6 20
Net interest income	1	2,329,659	2,396,895
Interest income	1	2,742,024	2,645,215
Other similar income	1	839,414	759,304
Interest expenses	1	-554,858	-378,846
Other similar expenses	1	-696,920	-628,777
Net fee and commission income	2	980,394	956,720
Fee and commission income	2	1,188,972	1,146,021
Fee and commission expenses	2	-208,579	-189,302
Dividend income	3	18,956	14,795
Net trading result	4	310,059	-19,194
Gains/losses from financial instruments measured at fair value through profit or loss	5	-140,143	28,515
Net result from equity method investments		7,027	5,878
Rental income from investment properties & other operating leases	6	86,938	88,270
Personnel expenses	7	-1,255,874	-1,265,497
Other administrative expenses	7	-625,551	-583,346
Depreciation and amortisation	7	-264,560	-265,861
Gains/losses from derecognition of financial assets measured at amortised cost	8	916	316
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	9	10,071	-2,150
Impairment result from financial instruments	10	42,825	-675,375
Other operating result	11	-350,965	-169,861
Levies on banking activities	11	-64,700	-82,969
Pre-tax result from continuing operations		**1,149,751**	**510,105**
Taxes on income	12	-212,697	-140,279
Net result for the period		**937,055**	**369,826**
Net result attributable to non-controlling interests		205,185	76,076
Net result attributable to owners of the parent		**731,870**	**293,751**

Earnings per share

		1-6 19	1-6 20
Net result attributable to owners of the parent	in EUR thousand	731,870	293,751
Dividend on AT1 capital	in EUR thousand	-38,438	-51,250
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	693,432	242,501
Weighted average number of outstanding shares		426,568,973	426,391,650
Earnings per share	**in EUR**	**1.63**	**0.57**
Weighted average diluted number of outstanding shares		426,568,973	426,391,650
Diluted earnings per share	**in EUR**	**1.63**	**0.57**

Development of the number of shares

	1-6 19	1-6 20
Shares outstanding at the beginning of the period	408,617,137	408,127,137
Acquisition of treasury shares	-5,872,411	-4,383,634
Disposal of treasury shares	5,487,411	1,994,032
Shares outstanding at the end of the period	408,232,137	405,737,535
Treasury shares	21,567,863	24,062,465
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,568,973	426,391,650
Weighted average diluted number of outstanding shares	426,568,973	426,391,650

Consolidated statement of comprehensive income

in EUR thousand	1-6 19	1-6 20
Net result for the period	**937,055**	**369,826**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**-79,472**	**217,858**
Remeasurement of defined benefit plans	-121,184	4,494
Fair value reserve of equity instruments	47,383	-1,585
Own credit risk reserve	-26,905	234,072
Deferred taxes relating to items that may not be reclassified	21,234	-19,123
Items that may be reclassified to profit or loss	**75,842**	**-263,773**
Fair value reserve of debt instruments	70,293	-6,996
Gain/loss during the period	73,390	-14,976
Reclassification adjustments	-2,591	887
Credit loss allowances	-505	7,094
Cash flow hedge reserve	3,323	184,666
Gain/loss during the period	17,834	193,301
Reclassification adjustments	-14,511	-8,635
Currency reserve	22,112	-406,713
Gain/loss during the period	22,112	-406,713
Deferred taxes relating to items that may be reclassified	-20,076	-34,685
Gain/loss during the period	-23,890	-36,554
Reclassification adjustments	3,814	1,870
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	190	-46
Total other comprehensive income	**-3,631**	**-45,915**
Total comprehensive income	**933,424**	**323,911**
Total comprehensive income attributable to non-controlling interests	175,052	63,195
Total comprehensive income attributable to owners of the parent	**758,372**	**260,717**

Quarterly results

in EUR million	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Income statement					
Net interest income	1,168.8	1,187.7	1,229.5	1,229.0	1,167.9
Interest income	1,385.5	1,397.4	1,404.6	1,391.7	1,253.5
Other similar income	414.1	392.0	423.8	395.1	364.2
Interest expenses	-283.6	-262.9	-237.1	-231.0	-147.9
Other similar expenses	-347.2	-338.8	-361.8	-326.8	-302.0
Net fee and commission income	492.7	503.9	515.9	504.2	452.5
Fee and commission income	593.2	616.8	567.7	604.6	541.4
Fee and commission expenses	-100.5	-113.0	-51.8	-100.4	-88.9
Dividend income	18.4	5.1	3.8	1.5	13.3
Net trading result	156.8	109.2	-101.0	-157.4	138.2
Gains/losses from financial instruments measured at fair value through profit or loss	-63.0	-49.2	164.9	37.5	-8.9
Net result from equity method investments	5.2	3.1	7.0	3.3	2.6
Rental income from investment properties & other operating leases	42.4	41.5	41.7	44.8	43.5
Personnel expenses	-633.9	-631.3	-650.0	-630.0	-635.5
Other administrative expenses	-267.3	-253.8	-325.8	-344.8	-238.6
Depreciation and amortisation	-129.1	-129.8	-146.6	-136.5	-129.4
Gains/losses from derecognition of financial assets at AC	0.6	-1.3	1.3	0.4	-0.1
Other gains/losses from derecognition of financial instruments not at FVPL	9.4	7.9	5.5	-1.7	-0.5
Impairment result from financial instruments	7.1	0.1	-82.1	-61.7	-613.7
Other operating result	-219.9	-46.2	-230.9	-127.6	-42.3
Levies on banking activities	-25.9	-26.2	-37.1	-49.9	-33.1
Pre-tax result from continuing operations	**588.0**	**746.8**	**433.2**	**361.3**	**148.8**
Taxes on income	-117.2	-138.2	-67.8	-103.0	-37.3
Net result for the period	**470.8**	**608.6**	**365.4**	**258.3**	**111.5**
Net result attributable to non-controlling interests	115.9	117.6	118.2	23.0	53.0
Net result attributable to owners of the parent	**354.9**	**491.1**	**247.2**	**235.3**	**58.5**

Statement of comprehensive income					
Net result for the period	**470.8**	**608.6**	**365.4**	**258.3**	**111.5**
Other comprehensive income					
Items that may not be reclassified to profit or loss	**-48.0**	**-22.2**	**31.6**	**308.5**	**-90.7**
Remeasurement of defined benefit plans	-70.9	-45.4	26.6	60.2	-55.7
Fair value reserve of equity instruments	13.9	17.2	-10.4	7.3	-8.9
Own credit risk reserve	-1.8	-0.2	9.6	278.4	-44.3
Deferred taxes relating to items that may not be reclassified	10.8	6.2	5.7	-37.4	18.3
Items that may be reclassified to profit or loss	**115.1**	**-99.8**	**1.1**	**-463.4**	**199.7**
Fair value reserve of debt instruments	42.7	32.5	-58.2	-72.4	65.4
Gain/loss during the period	43.8	31.3	-58.3	-73.8	58.9
Reclassification adjustments	-1.3	1.2	-4.6	1.0	-0.2
Credit loss allowances	0.2	0.1	4.8	0.3	6.7
Cash flow hedge reserve	11.4	-8.8	-49.0	164.4	20.3
Gain/loss during the period	18.7	-3.2	-44.1	169.0	24.3
Reclassification adjustments	-7.2	-5.6	-4.9	-4.6	-4.0
Currency reserve	73.8	-118.2	82.6	-539.6	132.9
Gain/loss during the period	73.8	-118.2	82.6	-539.6	132.9
Deferred taxes relating to items that may be reclassified	-13.1	-5.3	25.7	-15.7	-18.9
Gain/loss during the period	-15.0	-6.4	24.1	-16.6	-19.9
Reclassification adjustments	1.9	1.2	1.6	0.9	1.0
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.2	0.0	0.0	-0.1	0.0
Total	**67.0**	**-122.0**	**32.7**	**-154.9**	**109.0**
Total comprehensive income	**537.8**	**486.7**	**398.0**	**103.4**	**220.5**
Total comprehensive income attributable to non-controlling interests	97.6	102.8	116.6	20.3	42.9
Total comprehensive income attributable to owners of the parent	**440.2**	**383.9**	**281.4**	**83.1**	**177.6**

Consolidated balance sheet

in EUR thousand	Notes	Dec 19	Jun 20
Assets			
Cash and cash balances	13	10,693,301	18,433,334
Financial assets held for trading		5,759,602	6,984,416
Derivatives	14	2,805,447	3,232,520
Other financial assets held for trading	15	2,954,155	3,751,896
Pledged as collateral		429,799	270,960
Non-trading financial assets at fair value through profit and loss	16	3,208,269	3,121,821
Pledged as collateral		38,639	8,365
Equity instruments		390,080	374,227
Debt securities		2,334,757	2,128,561
Loans and advances to customers		483,432	619,033
Financial assets at fair value through other comprehensive income	17	9,046,504	8,882,501
Pledged as collateral		603,241	282,990
Equity instruments		210,117	132,108
Debt securities		8,836,388	8,750,393
Financial assets at amortised cost	18	204,162,083	214,464,320
Pledged as collateral		2,141,960	1,979,343
Debt securities		26,763,789	29,297,765
Loans and advances to banks		23,054,595	27,417,797
Loans and advances to customers		154,343,699	157,748,758
Finance lease receivables	19	4,034,425	4,081,953
Hedge accounting derivatives	20	130,118	270,064
Fair value changes of hedged items in portfolio hedge of interest rate risk		-3,766	5,451
Property and equipment		2,629,247	2,526,459
Investment properties		1,265,916	1,256,596
Intangible assets		1,368,320	1,331,001
Investments in associates and joint ventures		162,984	166,318
Current tax assets		80,715	134,723
Deferred tax assets		477,063	467,063
Assets held for sale		268,860	260,299
Trade and other receivables	21	1,408,069	1,286,745
Other assets	22	1,001,137	1,018,890
Total assets		**245,692,847**	**264,691,955**
Liabilities and equity			
Financial liabilities held for trading		2,421,082	2,736,989
Derivatives	14	2,005,403	2,307,535
Other financial liabilities held for trading	23	415,679	429,455
Financial liabilities at fair value through profit or loss		13,494,319	12,607,475
Deposits from customers		264,837	294,898
Debt securities issued	24	13,010,530	12,136,064
Other financial liabilities		218,953	176,513
Financial liabilities at amortised cost		204,143,420	222,320,651
Deposits from banks	25	13,140,590	21,984,092
Deposits from customers	25	173,066,149	182,375,581
Debt securities issued	25	17,360,340	17,294,636
Other financial liabilities		576,341	666,342
Lease liabilities		515,068	520,888
Hedge accounting derivatives	20	269,189	208,725
Fair value changes of hedged items in portfolio hedge of interest rate risk		11	90
Provisions	26	1,918,740	2,032,565
Current tax liabilities		60,586	61,864
Deferred tax liabilities		17,905	16,775
Liabilities associated with assets held for sale		6,169	7,356
Other liabilities	27	2,369,033	2,978,209
Total equity		**20,477,324**	**21,200,367**
Equity attributable to non-controlling interests		4,857,496	4,922,340
Additional equity instruments		1,490,367	1,987,486
Equity attributable to owners of the parent		14,129,461	14,290,541
Subscribed capital		859,600	859,600
Additional paid-in capital		1,477,719	1,477,719
Retained earnings and other reserves		11,792,141	11,953,221
Total liabilities and equity		**245,692,847**	**264,691,955**

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remeasure-ment of defined benefit plans	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2020	**860**	**1,478**	**13,095**	**-45**	**260**	**-399**	**-610**	**-509**	**14,129**	**1,490**	**4,857**	**20,477**
Changes in treasury shares	0	0	-48	0	0	0	0	0	-48	0	0	-48
Dividends paid	0	0	-51	0	0	0	0	0	-51	0	-4	-55
capital increase/decrease	0	0	0	0	0	0	0	0	0	497	6	503
Changes in scope of consolidation and ownership interest	0	0	0	0	0	0	0	0	0	0	-1	-1
Reclassification from other comprehensive income to retained earnings	0	0	62	0	-60	-2	0	0	0	0	0	0
Total comprehensive income	0	0	294	150	8	206	-399	3	261	0	63	324
Net result for the period	0	0	294	0	0	0	0	0	294	0	76	370
Other comprehensive income	0	0	0	150	8	206	-399	3	-33	0	-13	-46
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	3	3	0	1	4
Change in fair value reserve	0	0	0	0	8	0	0	0	8	0	-16	-8
Change in cash flow hedge reserve	0	0	0	150	0	0	0	0	150	0	0	150
Change in currency reserve	0	0	0	0	0	0	-399	0	-399	0	-7	-407
Change in own credit risk reserve	0	0	0	0	0	206	0	0	206	0	9	215
As of 30 June 2020	**860**	**1,478**	**13,352**	**105**	**208**	**-195**	**-1,009**	**-507**	**14,291**	**1,987**	**4,922**	**21,200**
Restated as of 1 January 2019	**860**	**1,477**	**12,280**	**-3**	**229**	**-435**	**-598**	**-428**	**13,381**	**993**	**4,494**	**18,869**
Changes in treasury shares	0	0	-10	0	0	0	0	0	-10	0	0	-10
Dividends paid	0	0	-610	0	0	0	0	0	-610	0	-34	-643
capital increase/decrease	0	0	0	0	0	0	0	0	0	497	4	501
Changes in scope of consolidation and ownership interest	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification from other comprehensive income to retained earnings	0	0	-3	0	0	3	0	0	0	0	0	0
Total comprehensive income	0	0	732	4	81	-13	22	-66	758	0	175	933
Net result for the period	0	0	732	0	0	0	0	0	732	0	205	937
Other comprehensive income	0	0	0	4	81	-13	22	-66	27	0	-30	-4
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-66	-66	0	-39	-105
Change in fair value reserve	0	0	0	0	81	0	0	0	81	0	8	88
Change in cash flow hedge reserve	0	0	0	4	0	0	0	0	4	0	0	4
Change in currency reserve	0	0	0	0	0	0	22	0	22	0	0	22
Change in own credit risk reserve	0	0	0	0	0	-13	0	0	-13	0	1	-12
As of 30 June 2019	**860**	**1,477**	**12,389**	**1**	**310**	**-445**	**-576**	**-495**	**13,520**	**1,490**	**4,639**	**19,649**

Consolidated statement of cash flows

in EUR million	1-6 19	1-6 20
Net result for the period	**937**	**370**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation and net impairment of non-financial assets	271	292
Net allocation to credit loss allowances and other provisions	196	756
Gains/losses from measurement and derecognition of financial assets and financial liabilities	57	-272
Other adjustments	56	-293
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets held for trading	-847	-1,224
Non-trading financial assets at fair value through profit and loss		
Equity instruments	-28	16
Debt securities	265	197
Loans and advances to customers	-224	-144
Financial assets at fair value through other comprehensive income: debt securities	-5	86
Financial assets at amortised cost		
Debt securities	-843	-2,535
Loans and advances to banks	-3,935	-4,374
Loans and advances to customers	-5,605	-4,058
Finance lease receivables	-161	-68
Hedge accounting derivatives	-32	10
Other assets from operating activities	-246	80
Financial liabilities held for trading	58	536
Financial liabilities at fair value through profit or loss	173	-634
Financial liabilities at amortised cost		
Deposits from banks	1,385	8,844
Deposits from customers	6,578	9,309
Debt securities issued	566	-66
Other financial liabilities	167	90
Hedge accounting derivatives	-1	-60
Other liabilities from operating activities	939	612
Cash flow from operating activities	**-277**	**7,471**
Proceeds of disposal		
Financial assets at fair value through other comprehensive income: equity instruments	2	52
Investments in associates and joint ventures	0	1
Property and equipment and intangible assets	19	38
Investment properties	11	3
Acquisition of		
Financial assets at fair value through other comprehensive income: equity instruments	0	0
Investments in associates and joint ventures	-1	0
Property and equipment and intangible assets	-270	-144
Investment properties	-39	-11
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	**-278**	**-61**
Capital increases	501	503
Capital decrease	0	0
Acquisition of non-controlling interest	0	-1
Dividends paid to equity holders of the parent	-610	-51
Dividends paid to non-controlling interests	-34	-4
Cash flow from financing activities	**-143**	**447**
Cash and cash equivalents at the beginning of the period	**17,549**	**10,693**
Cash flow from operating activities	-277	7,471
Cash flow from investing activities	-278	-61
Cash flow from financing activities	-143	447
Effect of currency translation	-9	-117
Cash and cash equivalents at the end of period	**16,843**	**18,433**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)	**2,073**	**2,131**
Payments for taxes on income	-214	-247
Interest received	3,807	3,802
Dividends received	19	15
Interest paid	-1,538	-1,439

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

Condensed notes to the interim consolidated financial statements 1 January to 30 June 2020

BASIS OF PREPARATION

The condensed consolidated interim financial statements (”interim financial statements”) of the group of Erste Group Bank AG (“Erste Group”) for the period from 1 January to 30 June 2020 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and are presented in accordance with the requirements of IAS 34 “Interim Financial Reporting”.

These interim financial statements were neither audited nor reviewed by an auditor.

BASIS OF CONSOLIDATION

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

IFRS consolidation scope - evolvement of number of entities and funds included

As of 31 December 2019	**380**
Additions	
Entities newly added to the scope of consolidation	5
Disposals	
Companies sold or liquidated	-4
Mergers	-3
As of 30 June 2020	**378**

COVID-19 DISCLOSURES

In the condensed interim consolidated financial statements of Erste Group, considerations and significant impacts of the Covid-19 outbreak are presented in those chapters to which they can be assigned thematically. An overview about these disclosures is presented in the following:

- The chapter “Accounting and measurement methods” contains information about the key sources of estimation uncertainty in the light of the Covid-19 outbreak.
- The chapter “Accounting treatment of issues related to Covid-19” discusses the accounting and measurement methods used for public moratoria and payment holidays, public guarantees and goodwill impairment testing including significant effects of those topics on interim consolidated financial statements 1 January to 30 June 2020.
- Note 29 Risk Management contains a separate sub-chapter “Covid-19” which explains the considerations of the pandemic on the ECL measurement, sensitivity analyses and information on credit exposures subject to certain Covid-19 measures.
- Note 34 Own funds and capital requirements discusses the adjustments to the regulatory framework due to the current Covid-19 crisis.

ACCOUNTING AND MEASUREMENT METHODS

The interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and are presented in euro, which is the functional currency of the parent company. The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the interim financial statements should be read in conjunction with Erste Group’s consolidated financial statements as of 31 December 2019.

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Except as described in the following paragraph related to Covid-19, judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the group’s last annual financial statements for the year ended 31 December 2019, with the exception of the calculation of the current income taxes for the interim reporting period for which the estimated effective tax rate for the group is applied.

The Covid-19 pandemic increased the level of uncertainty. The consequences for the economy as well as the measures taken by governments and regulators are likely to affect Erste Group's financial performance and position, including potentially significant impacts for expected credit losses, as well as impacts on operating income and potential goodwill and other non-financial assets impairment assessments. All negative effects that could be reasonable estimated were recognised in the first half of 2020. Erste Group will further follow the developments closely and will recognise any effects as the situation further unfolds in the second half of 2020.

Erste Group's accounting and measurement methods in the specific context of the Covid-19 outbreak are described in the following section.

ACCOUNTING TREATMENT OF ISSUES RELATED TO COVID-19

Accounting and measurement methods

Public moratoria and payment holidays

In light of the spread of COVID-19, a variety of measures have been taken by governments in Erste Group's region aimed at addressing the economic consequences of the outbreak on individuals, households and businesses. Such measures include public moratoria on repayment of loans, overdraft facilities and mortgages. Further, Erste Group banks are offering renegotiations of repayment schedules and payment holidays on a voluntary basis to customers facing liquidity shortages.

The public moratoria in general relate to customers which were performing and to their exposures existing before the outbreak of Covid-19 pandemic. Most of the public moratoria are based on an opt-in approach meaning that customers have to ask the bank for the payment reliefs. However, there are also cases when all applicable customers are automatically subject to the moratorium with an opt-out possibility. Such opt-out models have been implemented in Hungary and Serbia. The range of payment deferral period in Erste Group countries is between 3 to 9 months. In most cases interest continues to accrue on the outstanding balance during the moratorium period. Nevertheless, in many cases an economic loss is incurred and modification losses are recognised from accounting perspective. This results from the fact that the interest accrued, instead of being repaid or capitalised at the end of the moratorium, is repaid over the period after the moratorium.

Both, public moratoria and voluntarily granted payment holidays modify contractual cash flows of the related financial asset and are therefore treated as contractual modifications within the meaning of IFRS 9. The accounting policies published in Erste Group's consolidated financial statements as of 31 December 2019 on contractual modifications of financial assets apply accordingly. The relevant part is described in the following:

For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original EIR. In the statement of income, the modification gain or loss is presented in the line "Interest income" under "Net interest income" if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line "Impairment result from financial instruments".

Contractual modifications would only lead to derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument if the modified terms are substantially different from the original terms. Based on the set of criteria developed by Erste Group to assess whether or not a modification is substantial, the public moratoria and payment holidays applied in the first half of 2020 in Erste Group did not lead to derecognition. In particular, this is because the moratoria and payment holidays are typically below one year and in most cases the contractual interest continues to accrue during the suspension phase. Thus, the weighted remaining maturity as well as the present value of the modified cash flows are not significantly modified. The derecognition criteria are described in a detailed manner in Erste Group's consolidated financial statements as of 31 December 2019 in the section "Derecognition of financial instruments including treatment of contractual modifications" of the "Significant Accounting Policies" chapter.

With respect to the assessment of significant increases in credit risk (SICR), Erste Group does not consider the public moratoria and payment holidays in itself as automatic SICR triggers, but applies its specific assessment rules consisting of qualitative information and quantitative thresholds. Details on this assessment and other considerations on the expected credit loss estimation in the light of the Covid-19 outbreak are described in Note 29 Risk Management.

During the first half of 2020, Erste Group incurred modification losses in total amount of EUR 46.0 million. The vast majority of this impact relates to contractual modifications arising from Covid-19-related to public or private moratoria offered by Erste Group's banks to their respective eligible clients, as well as to other contractual changes bilaterally agreed by Erste Group's banks in response to addressing or preventing clients' liquidity shortages or other financial difficulties associated with the Covid-19 crisis.

Out of the total modification losses, an amount of EUR 31.7 million was presented in the statement of income in line item "Net interest income", while the remaining EUR 14,3 million was presented in line item "Impairment result from financial instruments". About 75% of the modification losses incurred at the following major CEE banks: Česká spořitelna, Erste Bank Hungary, Banca Comercială Română and Erste Bank Croatia (Erste & Steiermärkische Bank d.d.). In the case of Erste Bank Hungary, the portfolio estimate of the loss in an amount of HUF 6 billion (EUR 17.6 million) recognised in the first quarter in the statement of income in line item "Other operating result" was reversed in the second quarter. As a result, from a year-to-date perspective, there is no effect in the "Other operating result" and only the amounts disclosed in the second quarter are relevant.

Public guarantees

In their efforts to mitigate the economic effects of COVID-19, some governments and other public institutions in Erste Group's region are providing public guarantees on banks' exposures. If Erste Group is a guarantee holder, the treatment depends on whether the financial guarantee is considered as integral to the contractual terms of the financial asset whose risk is guaranteed. If guarantees are entered into at or close to the inception of the guaranteed financial assets Erste Group considers them as integral. Financial guarantees received in the context of public COVID-19 measures in the first quarter of 2020 typically related to new credit facilities and are therefore considered as integral.

Integral financial guarantees are included in the estimates of expected credit losses from the related financial assets. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets.

The existence of such credit enhancements does not affect the SICR assessment.

Goodwill impairment testing

Goodwill is tested for impairment annually in November, or whenever there is an indication of possible impairment during the year. Erste Group concluded that the Covid-19 pandemic resulted in significant changes in the first half of 2020 with an adverse effect in the economic environment. Therefore, Erste Group performed an impairment test on the goodwill of Česká spořitelna, a.s. as of 30 June 2020 using the principles described in Erste Group's consolidated financial statements as of 31 December 2019 in the section "Business combinations and goodwill" of the "Significant Accounting Policies" chapter. Due to the current uncertain economic environment and outlook, the recoverable amount has been calculated in different scenarios. The test did not result in an impairment loss booking as the calculated recoverable amount exceeds the carrying amount.

The table below summarises the outcome of the sensitivity analysis as of 30 June 2020 performed to determine by how much the key input parameters into the applied discounted cash flow model would need to vary in order to cause the unit's calculated recoverable amount to equal its related carrying amount.

Jun 20	CSAS
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	292
Risk free rate increase that would cause recoverable amount to equal carrying amount (basis points)	46
Terminal growth rate decrease that would cause recoverable amount to equal carrying amount (basis points)	-831
Beta factor increase that would cause recoverable amount to equal carrying amount (coefficient value)	0.057
Market risk premium increase that would cause recoverable amount to equal carrying amount (basis points)	39

Impairment of financial instruments

Regarding the impairment of financial instruments most of the increase in the expected credit losses in the line item „Impairment result from financial instruments" in the amount of EUR 450.5 million relates to Covid-19 impacts. Details on the effects of Covid-19 on the expected credit loss estimation in the first half of 2020 are described in Note 29 Risk Management.

1. Net interest income

in EUR million	1-6 19	1-6 20
Financial assets at AC	2,640.5	2,548.0
Financial assets at FVOCI	101.6	97.2
Interest income	2,742.0	2,645.2
Non-trading financial assets at FVPL	31.0	32.2
Financial assets HfT	758.6	648.6
Derivatives - hedge accounting, interest rate risk	-29.5	-25.4
Other assets	55.4	60.6
Negative interest from financial liabilities	23.9	43.3
Other similar income	839.4	759.3
Interest and other similar income	**3,581.4**	**3,404.5**
Financial liabilities at AC	-554.9	-378.8
Interest expenses	-554.9	-378.8
Financial liabilities at FVPL	-207.5	-177.5
Financial liabilities HfT	-501.0	-479.8
Derivatives - hedge accounting, interest rate risk	78.4	68.3
Other liabilities	-26.8	-16.2
Negative Interest from financial assets	-40.1	-23.5
Other similar expenses	-696.9	-628.8
Interest and other similar expenses	**-1,251.8**	**-1,007.6**
Net interest income	**2,329.7**	**2,396.9**

In the reporting period an amount of EUR 38.5 million (EUR 39.6 million) relating to impaired financial assets is included in various line items of net interest income. In addition, the line item “Financial assets at AC” includes modification gains or losses of financial instruments which are allocated to the Stage 1 of EUR -25.4 million (EUR 7.9 million).

2. Net fee and commission income

	1-6 19		1-6 20	
in EUR million	Income	Expenses	Income	Expenses
Securities	104.2	-22.2	130.8	-21.0
Issues	26.0	-7.4	18.4	-0.5
Transfer orders	72.1	-14.1	105.8	-19.9
Other	6.2	-0.7	6.5	-0.7
Clearing and settlement	1.9	-1.1	0.7	-1.6
Asset management	183.3	-20.3	193.0	-19.0
Custody	49.2	-9.1	48.7	-10.5
Fiduciary transactions	1.5	0.0	0.8	-0.6
Payment services	559.4	-93.9	524.5	-92.7
Card business	175.9	-65.2	162.2	-74.5
Other	383.5	-28.7	362.3	-18.3
Customer resources distributed but not managed	102.0	-6.7	105.9	-4.2
Collective investment	5.0	-1.1	6.0	-1.1
Insurance products	75.2	-1.1	87.0	-1.1
Building society brokerage	8.5	-3.0	0.3	-0.5
Foreign exchange transactions	12.8	-0.7	11.9	-0.6
Other	0.6	-0.8	0.6	-1.1
Structured finance	0.0	-0.1	0.0	0.0
Servicing fees from securitization activities	0.0	0.0	0.0	-1.0
Lending business	134.6	-41.6	93.0	-19.5
Guarantees given, guarantees received	35.1	-2.2	37.5	-1.8
Loan commitments given, loan commitments received	11.0	-0.3	11.4	-0.3
Other lending business	88.5	-39.1	44.1	-17.3
Other	52.7	-13.6	48.6	-19.1
Total fee and commission income and expenses	**1,189.0**	**-208.6**	**1,146.0**	**-189.3**
Net fee and commission income	**980.4**		**956.7**	

Asset management, custody and fiduciary transactions fees relate to fees earned by Erste Group on trust and fiduciary activities in which Erste Group holds or invests assets on behalf of its customers.

3. Dividend income

in EUR million	1-6 19	1-6 20
Financial assets HfT	2.6	0.5
Non-trading financial assets at FVPL	10.3	6.3
Financial assets at FVOCI	6.1	7.9
Dividend income	**19.0**	**14.8**

4. Net trading result

in EUR million	1-6 19	1-6 20
Securities and derivatives trading	228.4	-78.0
Foreign exchange transactions	73.4	59.1
Result from hedge accounting	8.2	-0.3
Net trading result	**310.1**	**-19.2**

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

in EUR million	1-6 19	1-6 20
Result from measurement/sale of financial assets designated at FVPL	10.4	9.3
Result from measurement/repurchase of financial liabilities designated at FVPL	-230.0	46.6
Result from financial assets and liabilities designated at FVPL	**-219.6**	**55.9**
Result from measurement/sale of financial assets mandatorily at FVPL	79.4	-27.3
Gains/losses from financial instruments measured at fair value through profit or loss	**-140.1**	**28.5**

6. Rental income from investment properties & other operating leases

in EUR million	1-6 19	1-6 20
Investment properties	42.4	48.2
Other operating leases	44.5	40.0
Rental income from investment properties & other operating leases	**86.9**	**88.3**

7. General administrative expenses

in EUR million	1-6 19	1-6 20
Personnel expenses	**-1,255.9**	**-1,265.5**
Wages and salaries	-944.2	-960.9
Compulsory social security	-237.7	-239.2
Long-term employee provisions	-22.3	-14.7
Other personnel expenses	-51.7	-50.7
Other administrative expenses	**-625.6**	**-583.3**
Deposit insurance contribution	-92.9	-92.3
IT expenses	-203.1	-204.1
Expenses for office space	-80.8	-79.0
Office operating expenses	-57.6	-59.3
Advertising/marketing	-85.9	-67.8
Legal and consulting costs	-63.0	-48.8
Sundry administrative expenses	-42.2	-32.0
Depreciation and amortisation	**-264.6**	**-265.9**
Software and other intangible assets	-89.8	-88.4
Owner occupied real estate	-68.5	-76.9
Investment properties	-14.2	-14.3
Customer relationships	-4.3	-3.9
Office furniture and equipment and sundry property and equipment	-87.7	-82.5
General administrative expenses	**-2,146.0**	**-2,114.7**

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

in EUR million	1-6 19	1-6 20
Gains from sale of financial assets at AC	2.7	0.6
Losses from sale of financial assets at AC	-1.8	-0.3
Gains/losses from derecognition of financial assets measured at amortised cost	**0.9**	**0.3**

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

in EUR million	1-6 19	1-6 20
Sale of financial assets at FVOCI	2.6	-0.9
Sale of financial lease receivables	0.0	0.0
Derecognition of financial liabilities at AC	7.5	-1.3
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**10.1**	**-2.1**

10. Impairment result from financial instruments

in EUR million	1-6 19	1-6 20
Financial assets at FVOCI	0.7	-7.1
Financial assets at AC	-19.1	-580.7
Net allocation to credit loss allowances	-73.3	-647.1
Direct write-offs	-15.5	-11.7
Recoveries recorded directly to the income statement	71.6	88.6
Modification gains or losses	-2.0	-10.5
Lease receivables	3.5	-17.0
Net allocation of provisions for commitments and guarantees given	57.7	-70.6
Impairment result from financial instruments	**42.8**	**-675.4**

11. Other operating result

in EUR million	1-6 19	1-6 20
Other operating expenses	**-351.1**	**-264.9**
Allocation to other provisions	-203.7	-82.6
Levies on banking activities	-64.7	-83.0
Banking tax	-40.7	-60.7
Financial transaction tax	-24.0	-22.3
Other taxes	-6.4	-5.6
Recovery and resolution fund contributions	-76.3	-93.7
Other operating income	**31.7**	**77.3**
Release of other provisions	31.7	77.3
Result from properties/movables/other intangible assets other than goodwill	-7.3	-5.8
Result from other operating expenses/income	-24.2	23.5
Other operating result	**-351.0**	**-169.9**

12. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 140.3 million (EUR 212.7 million), thereof EUR 28.0 million deferred tax income (EUR 6.7 million deferred tax income).

13. Cash and cash balances

in EUR million	Dec 19	Jun 20
Cash on hand	6,032	6,827
Cash balances at central banks	3,466	9,787
Other demand deposits at credit institutions	1,195	1,820
Cash and cash balances	**10,693**	**18,433**

14. Derivatives held for trading

in EUR million	Dec 19			Jun 20		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**189,747**	**3,068**	**3,305**	**217,268**	**3,819**	**3,852**
Interest rate	122,129	2,609	2,728	140,515	2,990	3,191
Equity	311	11	3	442	9	10
Foreign exchange	66,888	423	571	75,274	787	641
Credit	226	3	3	808	7	10
Commodity	10	0	0	20	0	0
Other	183	23	0	209	27	0
Derivatives held in the banking book	**28,048**	**1,353**	**341**	**28,347**	**1,426**	**509**
Interest rate	16,891	1,254	226	17,705	1,365	256
Equity	5,823	52	36	5,363	23	130
Foreign exchange	4,812	41	78	4,785	35	122
Credit	348	6	1	327	4	2
Commodity	0	0	0	0	0	0
Other	174	1	0	166	0	0
Total gross amounts	**217,794**	**4,422**	**3,646**	**245,615**	**5,245**	**4,362**
Offset		-1,616	-1,640		-2,012	-2,054
Total		**2,805**	**2,005**		**3,233**	**2,308**

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via clearing houses. These derivatives and related cash margin balances fulfil the requirements for balance sheet offsetting.

15. Other financial assets held for trading

in EUR million	Dec 19	Jun 20
Equity instruments	65	49
Debt securities	2,889	3,703
General governments	1,918	2,826
Credit institutions	803	754
Other financial corporations	57	47
Non-financial corporations	111	75
Other financial assets held for trading	**2,954**	**3,752**

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

in EUR million	Dec 19		Jun 20	
	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	390	0	374
Debt securities	664	1,671	666	1,462
General governments	77	258	63	220
Credit institutions	563	160	592	111
Other financial corporations	25	1,062	12	1,012
Non-financial corporations	0	191	0	118
Loans and advances to customers	0	483	0	619
General governments	0	2	0	2
Other financial corporations	0	1	0	0
Non-financial corporations	0	137	0	160
Households	0	344	0	457
Financial assets designated and mandatorily at FVPL	664	2,544	666	2,455
Non-trading financial assets at fair value through profit and loss		**3,208**		**3,122**

17. Financial assets at fair value through other comprehensive income

Equity Instruments

The carrying amount of Erste Group's equity instruments FVOCI as of 30 June 2020 amounted to EUR 132.1 million (EUR 210.1 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 88.1 million (EUR 166.1 million).

Debt Instruments

Debt securities

	Gross carrying amount				Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Accumulated fair value changes	Fair value
Jun 20										
Central banks	6	0	0	6	0	0	0	0	0	6
General governments	6,242	9	0	6,251	-4	0	0	-4	168	6,419
Credit institutions	1,008	9	0	1,017	-2	-1	0	-3	45	1,061
Other financial corporations	185	61	0	246	0	-2	0	-2	1	247
Non-financial corporations	694	304	0	998	-3	-9	0	-12	19	1,017
Total	**8,136**	**382**	**0**	**8,518**	**-9**	**-12**	**0**	**-21**	**233**	**8,750**
Dec 19										
Central banks	0	0	0	0	0	0	0	0	0	0
General governments	6,232	8	0	6,240	-3	0	0	-3	186	6,426
Credit institutions	1,073	27	0	1,099	-1	-1	0	-2	17	1,116
Other financial corporations	135	46	0	181	0	-1	0	-2	7	188
Non-financial corporations	933	137	0	1,070	-2	-5	0	-7	37	1,107
Total	**8,373**	**217**	**0**	**8,590**	**-6**	**-8**	**0**	**-14**	**247**	**8,836**

As defined in IFRS 9, the gross carrying amount of debt instruments at FVOCI equals the amortised cost before deducting any credit loss allowances. As of 30 June 2020, there were no purchased or originated credit-impaired (POCI) debt securities at FVOCI.

Development of credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 20						**Jun 20**
Stage 1	-6	-1	0	0	-2	0	-9
Stage 2	-8	0	0	-3	-1	0	-12
Stage 3	0	0	0	0	0	0	0
Total	**-14**	**-1**	**0**	**-2**	**-4**	**0**	**-21**
	Jan 19						**Jun 19**
Stage 1	-8	-1	0	0	2	0	-7
Stage 2	-2	0	0	1	-1	0	-2
Stage 3	0	0	0	0	0	0	0
Total	**-10**	**-1**	**0**	**1**	**1**	**0**	**-9**

18. Financial assets at amortised cost

Debt securities

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	Total	Carrying amount
Jun 20									
Central banks	15	0	0	15	0	0	0	0	15
General governments	24,867	8	0	24,876	-7	0	0	-7	24,869
Credit institutions	3,372	61	0	3,432	-2	0	0	-2	3,431
Other financial corporations	142	10	0	152	0	-1	0	-1	152
Non-financial corporations	817	16	3	836	-1	-1	-2	-4	832
Total	**29,212**	**95**	**3**	**29,311**	**-9**	**-2**	**-2**	**-13**	**29,298**
Dec 19									
Central banks	53	0	0	53	-1	0	0	-1	52
General governments	22,483	29	0	22,512	-4	0	0	-4	22,508
Credit institutions	3,287	1	0	3,288	-2	0	0	-2	3,286
Other financial corporations	136	7	0	143	0	-1	0	-1	142
Non-financial corporations	760	17	3	780	-1	-2	-2	-4	776
Total	**26,718**	**53**	**4**	**26,774**	**-7**	**-2**	**-2**	**-11**	**26,764**

There were no purchased or originated credit-impaired (POCI) debt securities at amortised cost as of 30 June 2020.

Development of credit loss allowances for debt securities

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 20						**Jun 20**
Stage 1	-7	-2	1	0	-3	0	-9
Stage 2	-2	0	0	-1	1	0	-2
Stage 3	-2	0	0	0	0	0	-2
Total	**-11**	**-2**	**1**	**0**	**-2**	**0**	**-13**
	Jan 19						**Jun 19**
Stage 1	-6	-1	0	0	0	0	-6
Stage 2	0	0	0	0	0	0	0
Stage 3	-2	0	0	0	0	0	-2
Total	**-8**	**-1**	**0**	**0**	**1**	**0**	**-8**

Loans and advances to banks

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Jun 20									
Central banks	20,647	0	0	20,647	-1	0	0	-1	20,646
Credit institutions	6,737	47	4	6,788	-11	-1	-4	-16	6,771
Total	**27,384**	**47**	**4**	**27,435**	**-12**	**-1**	**-4**	**-17**	**27,418**
Dec 19									
Central banks	16,109	0	0	16,109	0	0	0	0	16,108
Credit institutions	6,936	17	2	6,955	-6	0	-2	-9	6,946
Total	**23,045**	**17**	**2**	**23,063**	**-7**	**0**	**-2**	**-9**	**23,055**

There were no purchased or originated credit-impaired (POCI) AC loans and advances to banks as of 30 June 2020.

Development of credit loss allowances for loans and advances to banks

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 20						**Jun 20**
Stage 1	-7	-17	7	0	6	0	-12
Stage 2	0	0	0	0	0	0	-1
Stage 3	-2	0	0	0	-2	0	-4
Total	**-9**	**-17**	**7**	**0**	**3**	**0**	**-17**
	Jan 19						**Jun 19**
Stage 1	-3	-21	19	0	0	0	-5
Stage 2	-3	0	0	0	3	0	-1
Stage 3	-2	0	0	0	0	0	-2
Total	**-9**	**-21**	**19**	**0**	**3**	**0**	**-8**

Loans and advances to customers

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Jun 20											
General governments	6,948	234	2	4	7,188	-5	-5	-2	-1	-13	7,175
Other financial corporations	3,604	742	13	13	4,372	-8	-16	-9	0	-33	4,339
Non-financial corporations	52,495	15,942	1,585	223	70,245	-172	-542	-984	-87	-1,785	68,460
Households	68,305	9,095	1,854	133	79,386	-119	-429	-1,027	-36	-1,612	77,774
Total	**131,351**	**26,013**	**3,455**	**373**	**161,192**	**-304**	**-993**	**-2,022**	**-124**	**-3,443**	**157,749**
Dec 19											
General governments	6,449	325	3	4	6,781	-17	-3	-2	-1	-23	6,757
Other financial corporations	3,342	244	12	13	3,612	-5	-9	-8	0	-22	3,590
Non-financial corporations	60,331	5,618	1,584	242	67,774	-176	-243	-965	-96	-1,479	66,296
Households	70,577	6,538	1,886	145	79,146	-122	-251	-1,029	-43	-1,445	77,701
Total	**140,699**	**12,725**	**3,484**	**404**	**157,312**	**-320**	**-506**	**-2,003**	**-139**	**-2,969**	**154,344**

Development of credit loss allowances for loans and advances to customers

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 20								**Jun 20**
Stage 1	**-320**	**-106**	**29**	**179**	**-89**	**0**	**0**	**3**	**-304**
General governments	-17	-5	2	1	14	0	0	0	-5
Other financial corporations	-5	-3	1	2	-3	0	0	0	-8
Non-financial corporations	-176	-68	18	69	-18	0	0	2	-172
Households	-122	-31	7	107	-82	0	0	2	-119
Stage 2	**-506**	**-39**	**42**	**-559**	**62**	**-2**	**1**	**9**	**-993**
General governments	-3	0	0	-3	0	0	0	0	-5
Other financial corporations	-9	-2	1	-7	1	0	0	0	-16
Non-financial corporations	-243	-17	25	-287	-22	-1	0	3	-542
Households	-251	-20	16	-262	83	-2	1	6	-429
Stage 3	**-2,003**	**-42**	**114**	**-45**	**-167**	**1**	**100**	**20**	**-2,022**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-8	0	0	0	-2	0	1	0	-9
Non-financial corporations	-965	-21	55	-15	-92	1	45	8	-984
Households	-1,029	-21	59	-30	-73	0	54	12	-1,027
POCI	**-139**	**0**	**9**	**0**	**4**	**0**	**1**	**0**	**-124**
General governments	-1	0	0	0	0	0	0	0	-1
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-96	0	6	0	3	0	0	-1	-87
Households	-43	0	3	0	1	0	1	1	-36
Total	**-2,969**	**-187**	**194**	**-426**	**-190**	**-1**	**103**	**32**	**-3,443**
	Jan 19								**Jun 19**
Stage 1	**-321**	**-130**	**42**	**142**	**-59**	**0**	**0**	**-3**	**-328**
General governments	-16	0	0	1	-1	0	0	0	-16
Other financial corporations	-8	-7	5	4	-2	0	0	0	-9
Non-financial corporations	-169	-82	28	51	-4	0	0	-1	-177
Households	-128	-40	9	86	-51	0	0	-2	-126
Stage 2	**-455**	**-16**	**40**	**-168**	**139**	**0**	**2**	**2**	**-456**
General governments	-10	0	0	-1	5	0	0	0	-7
Other financial corporations	-5	-1	0	-1	2	0	1	2	-2
Non-financial corporations	-191	-7	23	-61	32	0	0	-2	-205
Households	-249	-8	17	-105	100	0	1	2	-242
Stage 3	**-2,341**	**-40**	**152**	**-33**	**-149**	**1**	**218**	**-1**	**-2,194**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-40	-8	8	0	1	0	2	16	-22
Non-financial corporations	-1,133	-21	48	-13	-57	0	137	-16	-1,054
Households	-1,166	-11	96	-21	-92	0	79	-1	-1,116
POCI	**-173**	**0**	**11**	**0**	**22**	**2**	**4**	**1**	**-133**
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	-3	0	0	0	3	0	0	0	0
Non-financial corporations	-97	0	4	0	14	2	2	0	-74
Households	-73	0	7	0	4	0	2	1	-58
Total	**-3,290**	**-185**	**246**	**-59**	**-47**	**2**	**223**	**0**	**-3,111**

19. Finance lease receivables

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Jun 20											
General governments	362	0	16	0	378	-3	0	0	0	-3	375
Credit institutions	3	0	0	0	3	0	0	0	0	0	3
Other financial corporations	69	0	0	0	69	0	0	0	0	0	69
Non-financial corporations	2,527	235	233	0	2,995	-12	-17	-103	0	-132	2,863
Households	744	23	16	0	783	-3	-1	-7	0	-11	772
Total	**3,705**	**258**	**265**	**0**	**4,229**	**-18**	**-18**	**-110**	**0**	**-147**	**4,082**
Dec 19											
General governments	363	0	16	0	379	-2	0	0	0	-2	377
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	71	0	0	0	71	0	0	0	0	0	71
Non-financial corporations	2,585	96	253	0	2,934	-10	-4	-106	0	-121	2,813
Households	747	21	15	0	783	-3	-1	-7	0	-11	772
Total	**3,768**	**117**	**284**	**0**	**4,169**	**-15**	**-5**	**-114**	**0**	**-134**	**4,034**

Development of credit loss allowances for finance lease receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 20								**Jun 20**
Stage 1	-15	-3	0	4	-4	0	0	0	-18
Stage 2	-5	0	0	-3	-10	0	0	0	-18
Stage 3	-114	0	1	-4	1	0	3	4	-110
POCI	0	0	0	0	0	0	0	0	0
Total	**-134**	**-3**	**1**	**-4**	**-13**	**0**	**3**	**4**	**-147**
	Jan 19								**Jun 19**
Stage 1	-18	-3	0	2	3	0	0	0	-16
Stage 2	-3	0	0	-2	1	0	0	0	-4
Stage 3	-130	0	1	-1	1	0	2	-1	-128
POCI	0	0	0	0	0	0	0	0	0
Total	**-151**	**-3**	**1**	**-1**	**5**	**0**	**2**	**-1**	**-148**

20. Hedge accounting derivatives

in EUR million	Dec 19			Jun 20		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**11,234**	**460**	**296**	**12,446**	**509**	**309**
Interest rate	11,234	460	296	12,446	509	309
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**3,532**	**21**	**81**	**3,319**	**147**	**9**
Interest rate	3,280	20	79	2,939	144	8
Equity	0	0	0	0	0	0
Foreign exchange	252	1	2	380	2	2
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**14,766**	**481**	**377**	**15,766**	**656**	**318**
Offset	0	-350	-107		-386	-109
Total		**130**	**269**		**270**	**209**

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via clearing houses. These derivatives and related cash margin balances fulfil the requirements for balance sheet offsetting.

21. Trade and other receivables

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Jun 20											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	15	19	0	0	34	0	0	0	0	0	34
Credit institutions	23	3	0	0	26	0	0	0	0	-1	25
Other financial corporations	24	5	0	0	29	0	0	0	0	0	29
Non-financial corporations	434	650	49	0	1,133	-2	-4	-38	0	-44	1,089
Households	85	28	23	0	137	-3	-7	-17	0	-27	110
Total	**582**	**704**	**73**	**0**	**1,359**	**-6**	**-11**	**-55**	**0**	**-73**	**1,287**
Dec 19											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	44	18	0	0	63	0	0	0	0	0	62
Credit institutions	22	2	0	0	25	0	-1	0	0	-1	24
Other financial corporations	24	5	0	0	30	0	0	0	0	0	29
Non-financial corporations	500	680	50	10	1,240	-3	-2	-41	-1	-47	1,193
Households	70	33	19	0	122	-3	-7	-13	0	-23	99
Total	**661**	**738**	**70**	**10**	**1,480**	**-6**	**-10**	**-55**	**-1**	**-72**	**1,408**

Development of credit loss allowances for trade and other receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 20								**Jun 20**
Stage 1	-6	-1	0	0	1	0	0	0	-6
Stage 2	-10	0	1	-1	-1	0	0	0	-11
Stage 3	-55	0	1	0	-5	0	3	1	-55
POCI	-1	0	1	0	0	0	0	0	0
Total	**-72**	**-1**	**2**	**-1**	**-5**	**0**	**3**	**1**	**-73**
	Jan 19								**Jun 19**
Stage 1	-5	-2	1	2	-2	0	0	0	-6
Stage 2	-19	0	0	0	1	0	6	0	-12
Stage 3	-98	-1	4	-1	-5	0	14	0	-86
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-122**	**-3**	**6**	**0**	**-6**	**0**	**20**	**0**	**-105**

22. Other assets

in EUR million	Dec 19	Jun 20
Prepayments	123	157
Inventories	198	164
Sundry assets	680	697
Other assets	**1,001**	**1,019**

23. Other financial liabilities held for trading

in EUR million	Dec 19	Jun 20
Short positions	368	356
Equity instruments	35	118
Debt securities	333	238
Debt securities issued	48	74
Other financial liabilities held for trading	**416**	**429**

24. Financial liabilities at fair value through profit and loss

Debt securities issued

in EUR million	Dec 19	Jun 20
Subordinated debt securities issued	4,539	4,165
Other debt securities issued	8,471	7,971
Bonds	5,386	4,929
Other certificates of deposits/name certificates	872	863
Mortgage covered bonds	1,961	1,963
Public sector covered bonds	252	216
Debt securities issued	**13,011**	**12,136**

25. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 19	Jun 20
Overnight deposits	1,951	2,913
Term deposits	9,613	17,356
Repurchase agreements	1,577	1,714
Deposits from banks	**13,141**	**21,984**

Deposits from customers

in EUR million	Dec 19	Jun 20
Overnight deposits	**121,651**	**132,272**
Savings deposits	31,476	33,936
Other financial corporations	150	221
Non-financial corporations	1,992	2,192
Households	29,334	31,523
Non-savings deposits	90,174	98,337
General governments	5,339	6,335
Other financial corporations	5,705	5,858
Non-financial corporations	27,245	30,404
Households	51,886	55,740
Term deposits	**49,910**	**45,922**
Deposits with agreed maturity	43,508	39,462
Savings deposits	28,248	26,858
Other financial corporations	1,098	1,010
Non-financial corporations	1,323	1,390
Households	25,826	24,459
Non-savings deposits	15,261	12,603
General governments	3,294	2,726
Other financial corporations	2,488	1,953
Non-financial corporations	3,493	2,536
Households	5,985	5,389
Deposits redeemable at notice	6,402	6,460
General governments	12	1
Other financial corporations	86	110
Non-financial corporations	163	221
Households	6,140	6,128
Repurchase agreements	**1,505**	**4,181**
Other financial corporations	1,431	834
Non-financial corporations	65	0
Deposits from customers	**173,066**	**182,376**
General governments	**8,655**	**12,409**
Other financial corporations	**10,958**	**9,985**
Non-financial corporations	**34,281**	**36,743**
Households	**119,173**	**123,240**

Debt securities issued

in EUR million	Dec 19	Jun 20
Subordinated debt securities issued	1,439	986
Senior non-preferred bonds		670
Other debt securities issued	15,417	15,638
Bonds	2,929	3,255
Certificates of deposit	81	34
Other certificates of deposits/name certificates	237	222
Mortgage covered bonds	10,796	11,538
Public sector covered bonds	0	0
Other	1,374	589
Debt securities issued	**17,360**	**17,295**

26. Provisions

in EUR million	Dec 19	Jun 20
Long-term employee provisions	1,054	1,021
Pending legal issues and tax litigation	353	349
Commitments and guarantees given	293	310
Provisions for commitments and financial guarantees in Stage 1	64	72
Provisions for commitments and financial guarantees in Stage 2	75	145
Provisions for commitments and financial guarantees - Defaulted	154	93
Other provisions	219	353
Provisions for onerous contracts	3	2
Restructuring	5	4
Other	216	351
Provisions	**1,919**	**2,033**

Effects from the change in material valuation parameters

For the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions, the interest rate used has been decreased to 0.88% p.a. as of 30 June 2020 (31 December 2019: 0.95% p. a.) to reflect the actual interest rate levels. Furthermore, the collective agreement trend has been decreased to 1.90% p.a. (31 December 2019: 2.00% p.a.) and the ASVG trend to 1.70% p.a. (31 December 2019: 1.75% p.a). According to IAS 19 the resulting measurement adjustment for pension and severance payment provisions amounting to EUR 4.5 million (before tax) has been recognised in other comprehensive income those for jubilee provisions, in amount of EUR 0.3 million has been considered in the income statement.

27. Other liabilities

in EUR million	Dec 19	Jun 20
Deferred income	117	126
Sundry liabilities	2,252	2,853
Other liabilities	**2,369**	**2,978**

28. Segment reporting

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

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

Business segmentation

The segment reporting comprises six business segments reflecting Erste Group's management structure and its internal management reporting in 2020.

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

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

Corporates. The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises and Large Corporate customers) as well as commercial real estate and public sector business. Small and medium-sized enterprises (SME) are clients which are under the responsibility of the local corporate commercial center network, mainly consisting of companies within defined annual turnover thresholds. Large Corporates (LC) are companies with an annual turnover above the defined SME thresholds and/or large corporate customers/client groups with substantial operations in core markets/extended core markets of Erste Group (former Local Large Corporates and Group Large Corporates business). Commercial Real Estate (CRE) covers for example investors in real estate for the purpose of generating income from the rental of individual properties or portfolios of properties, developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale. Public Sector consists of three sets of customers: public sector, public corporations and non-profit sector. In addition, the majority of municipalities are also segmented as Public Sector clients.

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

Asset/Liability Management & Local Corporate Center. The Asset/Liability Management & Local Corporate Center (ALM & LCC) segment includes all asset/liability management functions – local and of Erste Group Bank AG (Holding) – as well as the local corporate centers which comprise all non-core banking business activities such as internal service providers and reconciliation items to local entity results. The corporate center of Erste Group Bank AG is included in the Group Corporate Center segment.

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

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

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

Dividend elimination between Erste Group Bank AG and its fully consolidated subsidiaries is performed in Group Corporate Center. Consolidation differences arising between the segments, which are eliminated over the lifespan of the underlying transaction, are part of Group Corporate Center.

Geographical segmentation

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

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

The geographical area Austria consists of the following three segments:

_ The **Erste Bank Oesterreich & Subsidiaries** (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).
_ The **Savings banks** segment is identical to the business segment Savings banks.
_ The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Corporates and Group Markets business, Erste Group Immorent GmbH, Erste Asset Management GmbH and Intermarket Bank AG.

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

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

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

Measurement

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

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

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

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

Business segments (1)

in EUR million	Retail 1-6 19	Retail 1-6 20	Corporates 1-6 19	Corporates 1-6 20	Group Markets 1-6 19	Group Markets 1-6 20	ALM&LCC 1-6 19	ALM&LCC 1-6 20
Net interest income	1,128.4	1,063.8	528.5	555.1	120.5	133.3	-38.8	18.2
Net fee and commission income	532.4	504.0	145.8	134.8	110.2	115.0	-39.8	-41.4
Dividend income	3.6	0.0	1.3	0.7	2.3	0.0	6.5	7.8
Net trading result	53.4	47.3	47.6	20.0	4.4	-16.5	188.1	-61.3
Gains/losses from financial instruments at FVPL	1.2	-6.7	5.8	-5.8	25.3	4.5	-173.1	59.7
Net result from equity method investments	3.5	2.2	0.0	0.0	0.0	0.0	-0.2	1.1
Rental income from investment properties & other operating leases	11.1	12.1	52.1	54.4	0.0	0.0	16.8	12.4
General administrative expenses	-1,031.3	-1,029.9	-281.9	-265.8	-118.8	-111.7	-70.4	-66.1
Gains/losses from derecognition of financial assets at AC	-0.2	0.0	0.0	0.1	0.0	0.0	6.8	-0.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	9.6	0.1	0.0	0.0	-5.2	-0.1
Impairment result from financial instruments	-17.2	-245.1	40.4	-275.6	4.5	-11.4	3.3	-5.4
Other operating result	-179.5	-51.1	-42.8	-32.5	-9.4	-13.8	-58.9	-61.1
Levies on banking activities	-33.6	-43.0	-13.2	-12.6	-1.9	-2.6	-5.6	-14.0
Pre-tax result from continuing operations	**505.4**	**296.4**	**506.4**	**185.3**	**138.9**	**99.5**	**-165.0**	**-136.7**
Taxes on income	-102.8	-51.9	-99.5	-38.1	-26.7	-19.6	10.2	9.1
Net result for the period	**402.6**	**244.5**	**406.9**	**147.2**	**112.2**	**79.9**	**-154.8**	**-127.7**
Net result attributable to non-controlling interests	17.4	3.5	11.3	33.2	2.9	2.1	-3.8	-5.1
Net result attributable to owners of the parent	**385.2**	**241.0**	**395.6**	**114.0**	**109.4**	**77.8**	**-151.0**	**-122.6**
Operating income	1,733.6	1,622.5	781.0	759.0	262.7	236.4	-40.6	-3.5
Operating expenses	-1,031.3	-1,029.9	-281.9	-265.8	-118.8	-111.7	-70.4	-66.1
Operating result	**702.2**	**592.6**	**499.1**	**493.3**	**143.9**	**124.7**	**-110.9**	**-69.7**
Risk-weighted assets (credit risk, eop)	19,931	17,876	41,734	42,368	3,991	3,621	6,283	5,511
Average allocated capital	3,493	3,223	4,454	4,802	979	889	2,976	2,987
Cost/income ratio	59.5%	63.5%	36.1%	35.0%	45.2%	47.2%	>100%	>100%
Return on allocated capital	23.2%	15.3%	18.4%	6.2%	23.1%	18.1%	-10.5%	-8.6%
Total assets (eop)	62,929	63,674	55,972	59,384	52,115	37,214	49,483	72,752
Total liabilities excluding equity (eop)	88,598	94,014	30,216	33,757	36,884	37,900	51,776	52,572
Impairments	**-18.0**	**-245.4**	**39.0**	**-302.6**	**4.5**	**-11.4**	**0.3**	**-4.9**
Net impairment loss on financial assets AC	-20.7	-236.9	-0.5	-210.8	3.1	-11.5	2.3	-4.7
Net impairment loss on financial assets FVOCI	0.0	0.0	-0.2	-3.8	0.0	-0.1	0.9	-2.4
Net impairment loss on finance lease receivables	-0.8	-3.3	5.1	-12.3	0.0	0.0	0.3	0.0
Net impairment loss on commitments and guarantees given	4.3	-4.9	36.1	-48.7	1.4	0.1	-0.2	1.6
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-0.8	-0.2	-1.4	-26.9	0.0	0.0	-3.1	0.6

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-6 19	1-6 20	1-6 19	1-6 20	1-6 19	1-6 20	1-6 19	1-6 20
Net interest income	517.0	532.1	45.3	41.3	28.8	53.1	2,329.7	2,396.9
Net fee and commission income	236.2	255.2	-4.4	7.1	0.0	-18.0	980.4	956.7
Dividend income	2.0	2.1	3.3	4.2	0.0	0.0	19.0	14.8
Net trading result	34.3	2.8	17.3	29.6	-35.0	-41.1	310.1	-19.2
Gains/losses from financial instruments at FVPL	5.3	-28.4	-4.6	5.3	0.0	0.0	-140.1	28.5
Net result from equity method investments	0.0	0.0	3.7	2.6	0.0	0.0	7.0	5.9
Rental income from investment properties & other operating leases	19.5	19.1	-11.8	-9.5	-0.8	-0.2	86.9	88.3
General administrative expenses	-546.3	-556.2	-479.3	-496.8	382.1	411.8	-2,146.0	-2,114.7
Gains/losses from derecognition of financial assets at AC	0.5	-0.1	-0.1	0.8	-6.0	0.0	0.9	0.3
Other gains/losses from derecognition of financial instruments not at FVPL	-0.5	-1.2	0.0	-0.9	6.1	0.0	10.1	-2.1
Impairment result from financial instruments	10.7	-140.8	1.1	3.0	0.0	0.0	42.8	-675.4
Other operating result	-6.7	-9.0	321.6	403.4	-375.2	-405.7	-351.0	-169.9
Levies on banking activities	-2.1	-2.3	-8.2	-8.5	0.0	0.0	-64.7	-83.0
Pre-tax result from continuing operations	**272.0**	**75.5**	**-107.9**	**-9.8**	**0.0**	**0.0**	**1,149.8**	**510.1**
Taxes on income	-68.4	-21.5	74.5	-18.3	0.0	0.0	-212.7	-140.3
Net result for the period	**203.6**	**54.0**	**-33.4**	**-28.1**	**0.0**	**0.0**	**937.1**	**369.8**
Net result attributable to non-controlling interests	171.3	37.2	6.1	5.2	0.0	0.0	205.2	76.1
Net result attributable to owners of the parent	**32.3**	**16.7**	**-39.6**	**-33.2**	**0.0**	**0.0**	**731.9**	**293.8**
Operating income	814.3	782.9	48.8	80.6	-6.9	-6.1	3,592.9	3,471.9
Operating expenses	-546.3	-556.2	-479.3	-496.8	382.1	411.8	-2,146.0	-2,114.7
Operating result	**267.9**	**226.7**	**-430.5**	**-416.2**	**375.2**	**405.7**	**1,446.9**	**1,357.2**
Risk-weighted assets (credit risk, eop)	24,594	23,046	1,458	1,409	0	0	97,990	93,830
Average allocated capital	3,191	3,161	4,334	6,031	0	0	19,427	21,092
Cost/income ratio	67.1%	71.0%	>100%	>100%	>100%	>100%	59.7%	60.9%
Return on allocated capital	12.9%	3.4%	-1.6%	-0.9%			9.7%	3.5%
Total assets (eop)	64,743	70,052	4,656	3,100	-41,636	-41,486	248,261	264,692
Total liabilities excluding equity (eop)	59,887	64,958	2,901	1,804	-41,649	-41,513	228,612	243,492
Impairments	**10.9**	**-140.9**	**-1.9**	**0.9**	**0.0**	**0.0**	**34.8**	**-704.2**
Net impairment loss on financial assets AC	-2.7	-122.3	-0.7	5.5	0.0	0.0	-19.1	-580.7
Net impairment loss on financial assets FVOCI	-0.1	-0.2	0.1	-0.7	0.0	0.0	0.7	-7.1
Net impairment loss on finance lease receivables	-0.9	-1.3	0.0	0.0	0.0	0.0	3.5	-17.0
Net impairment loss on commitments and guarantees given	14.4	-16.9	1.7	-1.7	0.0	0.0	57.7	-70.6
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.3	0.0	-0.3	-2.1	0.0	0.0	0.0	-2.1
Net impairment on other non-financial assets	-0.1	-0.1	-2.6	0.0	0.0	0.0	-8.0	-26.7

Geographical segmentation – overview

in EUR million	Austria		Central and Eastern Europe		Other		Total Group	
	1-6 19	1-6 20	1-6 19	1-6 20	1-6 19	1-6 20	1-6 19	1-6 20
Net interest income	1,016.6	1,080.0	1,249.9	1,242.1	63.1	74.7	2,329.7	2,396.9
Net fee and commission income	545.7	575.1	466.0	423.5	-31.3	-41.9	980.4	956.7
Dividend income	12.4	8.9	3.3	1.7	3.3	4.2	19.0	14.8
Net trading result	29.5	-31.7	137.8	90.6	142.7	-78.0	310.1	-19.2
Gains/losses from financial instruments at FVPL	19.4	-34.7	5.2	8.9	-164.7	54.3	-140.1	28.5
Net result from equity method investments	-2.1	1.2	5.4	2.1	3.7	2.6	7.0	5.9
Rental income from investment properties & other operating leases	67.0	70.7	24.5	25.5	-4.6	-8.0	86.9	88.3
General administrative expenses	-1,089.6	-1,085.6	-944.3	-932.8	-112.1	-96.3	-2,146.0	-2,114.7
Gains/losses from derecognition of financial assets at AC	0.5	-0.1	0.1	0.5	0.3	-0.1	0.9	0.3
Other gains/losses from derecognition of financial instruments not at FVPL	-0.7	-1.3	-4.9	0.1	15.6	-0.9	10.1	-2.1
Impairment result from financial instruments	21.5	-332.9	19.5	-345.0	1.9	2.5	42.8	-675.4
Other operating result	-5.8	-11.3	-275.6	-132.7	-69.6	-25.9	-351.0	-169.9
Levies on banking activities	-3.9	-4.1	-52.6	-70.3	-8.2	-8.5	-64.7	-83.0
Pre-tax result from continuing operations	**614.5**	**238.3**	**687.0**	**384.6**	**-151.8**	**-112.8**	**1,149.8**	**510.1**
Taxes on income	-145.7	-57.6	-151.3	-86.0	84.3	3.3	-212.7	-140.3
Net result for the period	**468.8**	**180.7**	**535.7**	**298.6**	**-67.5**	**-109.4**	**937.1**	**369.8**
Net result attributable to non-controlling interests	179.3	61.0	19.7	9.9	6.2	5.2	205.2	76.1
Net result attributable to owners of the parent	**289.4**	**119.7**	**516.1**	**288.7**	**-73.6**	**-114.6**	**731.9**	**293.8**
Operating income	1,688.5	1,669.5	1,892.2	1,794.5	12.2	7.9	3,592.9	3,471.9
Operating expenses	-1,089.6	-1,085.6	-944.3	-932.8	-112.1	-96.3	-2,146.0	-2,114.7
Operating result	**598.9**	**583.9**	**947.9**	**861.7**	**-100.0**	**-88.4**	**1,446.9**	**1,357.2**
Risk-weighted assets (credit risk, eop)	53,186	50,279	42,815	41,302	1,990	2,248	97,990	93,830
Average allocated capital	7,061	6,925	6,987	7,080	5,379	7,086	19,427	21,092
Cost/income ratio	64.5%	65.0%	49.9%	52.0%	>100%	>100%	59.7%	60.9%
Return on allocated capital	13.4%	5.2%	15.5%	8.5%	-2.5%	-3.1%	9.7%	3.5%
Total assets (eop)	163,132	170,528	113,106	120,435	-27,976	-26,271	248,261	264,692
Total liabilities excluding equity (eop)	129,240	137,287	102,237	108,689	-2,865	-2,485	228,612	243,492
Impairments	**22.2**	**-333.1**	**15.3**	**-353.6**	**-2.7**	**-17.5**	**34.8**	**-704.2**
Net impairment loss on financial assets AC	-4.3	-283.4	-14.6	-302.2	-0.2	4.9	-19.1	-580.7
Net impairment loss on financial assets FVOCI	0.0	-0.5	0.7	-5.7	0.1	-1.0	0.7	-7.1
Net impairment loss on finance lease receivables	5.9	-2.4	-2.3	-15.0	0.0	0.4	3.5	-17.0
Net impairment loss on commitments and guarantees given	19.9	-46.7	35.8	-22.0	2.0	-1.8	57.7	-70.6
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.3	0.0	0.0	0.0	-0.3	-2.1	0.0	-2.1
Net impairment on other non-financial assets	0.5	-0.2	-4.2	-8.7	-4.2	-17.9	-8.0	-26.7

Geographical area – Austria

in EUR million	EBOe & Subsidiaries 1-6 19	EBOe & Subsidiaries 1-6 20	Savings Banks 1-6 19	Savings Banks 1-6 20	Other Austria 1-6 19	Other Austria 1-6 20	Austria 1-6 19	Austria 1-6 20
Net interest income	311.8	321.0	517.0	532.1	187.8	226.9	1,016.6	1,080.0
Net fee and commission income	196.1	201.3	236.2	255.2	113.4	118.6	545.7	575.1
Dividend income	6.7	6.1	2.0	2.1	3.6	0.7	12.4	8.9
Net trading result	25.7	10.3	34.3	2.8	-30.4	-44.8	29.5	-31.7
Gains/losses from financial instruments at FVPL	-11.3	-4.9	5.3	-28.4	25.4	-1.4	19.4	-34.7
Net result from equity method investments	0.1	1.1	0.0	0.0	-2.1	0.1	-2.1	1.2
Rental income from investment properties & other operating leases	19.6	28.5	19.5	19.1	27.9	23.1	67.0	70.7
General administrative expenses	-358.3	-352.8	-546.3	-556.2	-185.0	-176.6	-1,089.6	-1,085.6
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.5	-0.1	0.0	0.1	0.5	-0.1
Other gains/losses from derecognition of financial instruments not at FVPL	-0.3	-0.1	-0.5	-1.2	0.1	0.0	-0.7	-1.3
Impairment result from financial instruments	-1.0	-81.5	10.7	-140.8	11.8	-110.7	21.5	-332.9
Other operating result	-17.4	-8.0	-6.7	-9.0	18.3	5.8	-5.8	-11.3
Levies on banking activities	-1.8	-1.8	-2.1	-2.3	0.0	0.0	-3.9	-4.1
Pre-tax result from continuing operations	**171.8**	**121.1**	**272.0**	**75.5**	**170.7**	**41.7**	**614.5**	**238.3**
Taxes on income	-41.6	-28.7	-68.4	-21.5	-35.7	-7.4	-145.7	-57.6
Net result for the period	**130.2**	**92.4**	**203.6**	**54.0**	**135.0**	**34.4**	**468.8**	**180.7**
Net result attributable to non-controlling interests	4.7	20.4	171.3	37.2	3.3	3.3	179.3	61.0
Net result attributable to owners of the parent	**125.5**	**71.9**	**32.3**	**16.7**	**131.7**	**31.0**	**289.4**	**119.7**
Operating income	548.8	563.5	814.3	782.9	325.5	323.2	1,688.5	1,669.5
Operating expenses	-358.3	-352.8	-546.3	-556.2	-185.0	-176.6	-1,089.6	-1,085.6
Operating result	**190.5**	**210.7**	**267.9**	**226.7**	**140.5**	**146.6**	**598.9**	**583.9**
Risk-weighted assets (credit risk, eop)	12,721	12,125	24,594	23,046	15,871	15,109	53,186	50,279
Average allocated capital	1,740	1,702	3,191	3,161	2,130	2,062	7,061	6,925
Cost/income ratio	65.3%	62.6%	67.1%	71.0%	56.8%	54.6%	64.5%	65.0%
Return on allocated capital	15.1%	10.9%	12.9%	3.4%	12.8%	3.3%	13.4%	5.2%
Total assets (eop)	46,590	50,463	64,743	70,052	51,799	50,013	163,132	170,528
Total liabilities excluding equity (eop)	44,538	48,330	59,887	64,958	24,815	23,999	129,240	137,287
Impairments	**-1.0**	**-81.5**	**10.9**	**-140.9**	**12.4**	**-110.7**	**22.2**	**-333.1**
Net impairment loss on financial assets AC	-10.0	-65.4	-2.7	-122.3	8.4	-95.7	-4.3	-283.4
Net impairment loss on financial assets FVOCI	0.0	-0.1	-0.1	-0.2	0.0	-0.1	0.0	-0.5
Net impairment loss on finance lease receivables	0.5	-2.1	-0.9	-1.3	6.4	1.1	5.9	-2.4
Net impairment loss on commitments and guarantees given	8.5	-13.8	14.4	-16.9	-3.0	-16.0	19.9	-46.7
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.3	0.0	0.0	0.0	0.3	0.0
Net impairment on other non-financial assets	0.0	0.0	-0.1	-0.1	0.6	0.0	0.5	-0.2

Geographical area – Central and Eastern Europe

in EUR million	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-6 19	1-6 20	1-6 19	1-6 20	1-6 19	1-6 20	1-6 19	1-6 20	1-6 19	1-6 20	1-6 19	1-6 20	1-6 19	1-6 20
Net interest income	554.2	533.4	216.2	219.5	210.1	220.5	105.0	103.7	136.8	134.4	27.7	30.7	1,249.9	1,242.1
Net fee and commission income	173.3	151.0	67.9	67.9	77.8	65.6	90.7	87.3	49.7	44.1	6.6	7.5	466.0	423.5
Dividend income	1.9	0.4	0.8	0.6	0.5	0.7	0.1	0.0	0.1	0.0	0.0	0.0	3.3	1.7
Net trading result	58.1	30.1	9.4	3.7	34.8	29.7	17.2	14.7	15.9	10.6	2.3	1.8	137.8	90.6
Gains/losses from financial instruments at FVPL	2.2	14.8	0.1	-0.3	-0.5	0.0	2.7	-4.8	0.7	-0.8	0.0	0.0	5.2	8.9
Net result from equity method investments	1.6	0.0	3.5	1.7	-0.3	-0.1	0.0	0.0	0.5	0.5	0.0	0.0	5.4	2.1
Rental income from investment properties & other operating leases	4.2	4.2	0.5	0.2	10.0	11.1	2.9	3.8	6.8	6.2	0.0	0.0	24.5	25.5
General administrative expenses	-371.2	-371.9	-138.7	-144.6	-183.1	-167.2	-110.3	-110.5	-112.4	-111.2	-28.7	-27.5	-944.3	-932.8
Gains/losses from derecognition of financial assets at AC	0.3	0.0	0.1	0.0	-0.1	0.0	0.0	0.5	-0.1	0.0	-0.2	0.0	0.1	0.5
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	-0.5	0.0	-6.2	0.0	1.8	0.1	0.1	0.0	0.0	0.0	-4.9	0.1
Impairment result from financial instruments	7.7	-135.8	-18.6	-63.5	18.7	-35.3	14.9	-49.9	-3.1	-52.8	-0.2	-7.7	19.5	-345.0
Other operating result	-26.4	-30.5	-18.1	-40.0	-162.3	-11.7	-43.5	-39.8	-25.0	-10.2	-0.3	-0.4	-275.6	-132.7
Levies on banking activities	0.0	0.0	-16.0	-33.8	0.0	0.0	-36.6	-36.6	0.0	0.0	0.0	0.0	-52.6	-70.3
Pre-tax result from continuing operations	**405.9**	**195.7**	**122.7**	**45.2**	**-0.6**	**113.3**	**81.4**	**5.1**	**70.2**	**20.9**	**7.4**	**4.5**	**687.0**	**384.6**
Taxes on income	-80.1	-40.5	-23.7	-10.3	-24.0	-31.7	-9.7	-10.0	-13.4	6.6	-0.5	-0.1	-151.3	-86.0
Net result for the period	**325.8**	**155.1**	**99.1**	**34.8**	**-24.6**	**81.6**	**71.8**	**-4.9**	**56.8**	**27.5**	**6.9**	**4.5**	**535.7**	**298.6**
Net result attributable to non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	18.3	8.8	1.4	1.0	19.7	9.9
Net result attributable to owners of the parent	**325.8**	**155.1**	**99.1**	**34.8**	**-24.6**	**81.5**	**71.8**	**-4.9**	**38.5**	**18.7**	**5.5**	**3.5**	**516.1**	**288.7**
Operating income	795.5	733.9	298.5	293.3	332.4	327.5	218.5	204.6	210.6	195.1	36.7	40.1	1,892.2	1,794.5
Operating expenses	-371.2	-371.9	-138.7	-144.6	-183.1	-167.2	-110.3	-110.5	-112.4	-111.2	-28.7	-27.5	-944.3	-932.8
Operating result	**424.3**	**362.0**	**159.8**	**148.7**	**149.3**	**160.3**	**108.3**	**94.2**	**98.2**	**83.9**	**8.1**	**12.5**	**947.9**	**861.7**
Risk-weighted assets (credit risk, eop)	18,953	17,156	6,604	7,028	6,340	5,948	4,039	4,034	5,324	5,662	1,554	1,474	42,815	41,302
Average allocated capital	2,492	2,576	1,052	1,117	1,443	1,367	984	942	787	866	229	212	6,987	7,080
Cost/income ratio	46.7%	50.7%	46.5%	49.3%	55.1%	51.0%	50.5%	54.0%	53.4%	57.0%	78.1%	68.7%	49.9%	52.0%
Return on allocated capital	26.4%	12.1%	19.0%	6.3%	-3.4%	12.0%	14.7%	-1.1%	14.5%	6.4%	6.1%	4.2%	15.5%	8.5%
Total assets (eop)	59,126	62,356	18,171	19,401	15,254	15,747	8,679	9,877	9,914	10,671	1,961	2,384	113,106	120,435
Total liabilities excluding equity (eop)	54,032	56,888	16,643	17,680	13,591	13,893	7,547	8,754	8,676	9,372	1,748	2,102	102,237	108,689
Impairments	**8.6**	**-136.9**	**-18.0**	**-62.6**	**13.9**	**-42.7**	**14.9**	**-50.6**	**-3.9**	**-53.2**	**-0.2**	**-7.7**	**15.3**	**-353.6**
Net impairment loss on financial assets AC	-10.0	-125.0	-16.4	-59.0	0.9	-33.5	14.6	-35.0	-3.4	-42.3	-0.4	-7.3	-14.6	-302.2
Net impairment loss on financial assets FVOCI	0.0	-2.4	0.0	0.0	-0.2	-1.0	0.0	0.0	0.8	-2.4	0.0	0.0	0.7	-5.7
Net impairment loss on finance lease receivables	1.0	0.0	-1.7	-1.4	-1.1	-0.1	-0.7	-11.7	0.0	-1.7	0.3	0.0	-2.3	-15.0
Net impairment loss on commitments and guarantees given	16.8	-8.4	-0.4	-3.1	19.0	-0.6	1.1	-3.2	-0.6	-6.5	-0.2	-0.3	35.8	-22.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.8	-1.0	0.6	0.9	-4.8	-7.4	0.0	-0.7	-0.8	-0.4	0.0	0.0	-4.2	-8.7

29. Risk management

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2019.

Credit risk

For the disclosure of asset quality Erste Group assigns each customer to one of the following four risk categories:

Low risk. Typically regional customers with well-established and rather long-standing relationships with Erste Group or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally with clients in this risk category.

Management attention. Vulnerable non-retail clients, which may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with possible payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Substandard. The borrower is vulnerable to short term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing. One or more of the default criteria under Article 178 of the CRR are met: among others, full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. Erste Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.

Credit risk exposure

Credit risk exposure relates to the sum of the following balance sheet items:
- cash and cash balances - demand deposits to credit institutions;
- debt instruments held for trading;
- non-trading debt instruments at fair value through profit or loss (FVPL);
- debt instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at amortised cost (AC), other than trade and other receivables;
- trade and other receivables (for disclosure purposes in the tabular summaries below, any contract assets are also included in this category);
- finance lease receivables;
- debt instruments held for sale in disposal groups;
- positive fair value of hedge accounting derivatives;
- off-balance sheet credit risks (primarily financial guarantees and undrawn loan commitments).

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:
- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

The credit risk exposure increased in the reporting period to EUR 288.8 billion (+5.5%; EUR 273.8 billion).

Reconciliation between gross carrying amount and carrying amount of the credit risk exposure components

in EUR million	Credit risk exposure	Allowances	Adjustments	Carrying amount
Jun 20				
Cash and cash balances - demand deposits to credit institutions	1,820	-1	0	1,820
Debt instruments HfT	6,935	0	0	6,935
Non-trading debt instruments at FVPL	2,748	0	0	2,748
Debt securities	2,129	0	0	2,129
Loans and advances to banks	0	0	0	0
Loans and advances to customers	619	0	0	619
Debt instruments at FVOCI	8,518	-21	233	8,750
Debt securities	8,518	-21	233	8,750
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	217,937	-3,473	0	214,464
Debt securities	29,311	-13	0	29,298
Loans and advances to banks	27,435	-17	0	27,418
Loans and advances to customers	161,192	-3,443	0	157,749
Trade and other receivables	1,359	-73	0	1,287
Finance lease receivables	4,229	-147	0	4,082
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	270	0	0	270
Off balance-sheet exposures	44,986	-395	0	-
Total	**288,803**	**-4,109**	**233**	**240,356**
Dec 19				
Cash and cash balances - demand deposits to credit institutions	1,196	0	0	1,195
Debt instruments HfT	5,694	0	0	5,694
Non-trading debt instruments at FVPL	2,818	0	0	2,818
Debt securities	2,335	0	0	2,335
Loans and advances to banks	0	0	0	0
Loans and advances to customers	483	0	0	483
Debt instruments at FVOCI	8,590	-14	247	8,836
Debt securities	8,590	-14	247	8,836
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	207,150	-2,988	0	204,162
Debt securities	26,774	-11	0	26,764
Loans and advances to banks	23,063	-9	0	23,055
Loans and advances to customers	157,312	-2,969	0	154,344
Trade and other receivables	1,480	-72	0	1,408
Finance lease receivables	4,169	-134	0	4,034
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	130	0	0	130
Off balance-sheet exposures	42,552	-310	0	-
Total	**273,778**	**-3,518**	**247**	**228,279**

Credit loss allowances comprise impairments for financial assets measured at amortised cost (including finance lease and trade and other receivables) and at fair value through other comprehensive income (FVOCI), as well as credit loss allowances and provisions for off-balance sheet exposures. Adjustments refer to the fair value changes of the carrying amount for debt instruments at FVOCI.

Credit risk volume is presented by:
_ counterparty sector and financial instrument;
_ industry and risk category;
_ region and risk category;
_ business segment and risk category;
_ business segment and IFRS 9 treatment;
_ geographical segment and risk category;
_ geographical segment and IFRS 9 treatment.

Credit risk exposure by counterparty sector and financial instrument

					At amortised cost							
in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments HfT	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	Debt securities	Loans and advances to banks	Loans and advances to customers	Finance lease receivables	Positive fair value of derivatives	Trade and other receivables	Off balance-sheet exposures	Total
Jun 20												
Central banks	0	56	0	25	30	20,647	0	0	0	0	0	20,758
General governments	0	2,942	285	6,232	24,861	0	7,188	378	0	34	2,382	44,300
Credit institutions	1,820	3,215	703	1,017	3,432	6,788	0	3	269	26	940	18,215
Other financial corporations	0	189	1,024	246	152	0	4,372	69	0	29	1,949	8,031
Non-financial corporations	0	532	279	998	836	0	70,245	2,995	1	1,133	27,783	104,801
Households	0	2	457	0	0	0	79,386	783	0	137	11,933	92,698
Total	**1,820**	**6,935**	**2,748**	**8,518**	**29,311**	**27,435**	**161,192**	**4,229**	**270**	**1,359**	**44,986**	**288,803**
Dec 19												
Central banks	0	19	0	19	50	16,109	0	0	0	1	21	16,218
General governments	0	2,037	336	6,221	22,514	0	6,781	379	0	63	2,098	40,429
Credit institutions	1,196	3,059	723	1,099	3,288	6,955	0	1	129	25	955	17,429
Other financial corporations	0	98	1,088	181	143	0	3,612	71	0	30	1,513	6,735
Non-financial corporations	0	481	328	1,070	780	0	67,774	2,934	1	1,240	26,493	101,099
Households	0	1	344	0	0	0	79,146	783	0	122	11,472	91,868
Total	**1,196**	**5,694**	**2,818**	**8,590**	**26,774**	**23,063**	**157,312**	**4,169**	**130**	**1,480**	**42,552**	**273,778**

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 20					
Agriculture and forestry	2,132	708	318	114	3,271
Mining	737	86	6	21	851
Manufacturing	16,047	2,924	810	527	20,308
Energy and water supply	3,561	739	134	72	4,507
Construction	9,553	1,748	366	388	12,055
Trade	10,644	2,570	666	419	14,299
Transport and communication	6,646	977	357	120	8,099
Hotels and restaurants	3,850	1,207	250	246	5,553
Financial and insurance services	45,278	1,715	387	38	47,418
Real estate and housing	25,796	4,643	806	378	31,623
Services	12,071	1,625	547	251	14,494
Public administration	41,820	280	141	1	42,241
Education, health and art	2,995	475	164	218	3,852
Households	71,599	4,953	1,779	1,559	79,889
Other	285	1	55	0	340
Total	**253,013**	**24,651**	**6,788**	**4,351**	**288,803**
Dec 19					
Agriculture and forestry	2,063	851	214	122	3,250
Mining	713	33	11	50	807
Manufacturing	16,376	1,942	483	474	19,274
Energy and water supply	3,654	485	199	79	4,418
Construction	9,867	1,612	435	418	12,332
Trade	10,906	1,979	434	438	13,757
Transport and communication	6,669	712	309	108	7,798
Hotels and restaurants	3,662	928	285	251	5,126
Financial and insurance services	39,692	884	244	27	40,848
Real estate and housing	24,692	3,747	1,326	438	30,203
Services	12,202	1,245	335	254	14,038
Public administration	38,218	292	85	1	38,595
Education, health and art	2,982	413	155	216	3,767
Households	71,039	4,813	1,759	1,587	79,198
Other	306	0	61	0	368
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 20					
Core markets	**217,625**	**21,896**	**5,732**	**3,901**	**249,154**
Austria	104,865	8,743	1,704	1,608	116,920
Czech Republic	55,021	6,252	1,672	650	63,595
Romania	15,791	1,558	513	429	18,291
Slovakia	20,278	2,417	777	451	23,922
Hungary	10,420	1,295	650	127	12,493
Croatia	8,654	1,276	333	615	10,878
Serbia	2,596	355	83	21	3,055
Other EU	**22,282**	**1,258**	**563**	**286**	**24,390**
Other industrialised countries	**8,371**	**450**	**73**	**23**	**8,917**
Emerging markets	**4,734**	**1,048**	**419**	**141**	**6,342**
Southeastern Europe/CIS	2,653	561	167	122	3,502
Asia	1,603	118	24	5	1,751
Latin America	201	8	7	13	230
Middle East/Africa	276	362	221	1	860
Total	**253,013**	**24,651**	**6,788**	**4,351**	**288,803**
Dec 19					
Core markets	**208,069**	**18,042**	**5,869**	**4,023**	**236,003**
Austria	100,495	8,357	1,816	1,687	112,355
Czech Republic	52,422	4,515	1,147	673	58,757
Romania	15,908	1,407	559	407	18,281
Slovakia	18,851	1,305	1,544	479	22,180
Hungary	9,475	1,030	471	157	11,134
Croatia	8,506	1,093	274	598	10,472
Serbia	2,411	335	57	22	2,824
Other EU	**24,839**	**837**	**226**	**296**	**26,198**
Other industrialised countries	**5,334**	**123**	**34**	**14**	**5,504**
Emerging markets	**4,800**	**934**	**210**	**130**	**6,074**
Southeastern Europe/CIS	2,698	571	64	116	3,449
Asia	1,576	152	21	4	1,754
Latin America	156	18	10	9	193
Middle East/Africa	370	193	114	1	678
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**

The geographic analysis of credit exposure is based on the country of risk of borrowers and counterparties and also includes obligors domiciled in other countries if the economic risk exists in the respective country of risk. Accordingly, the distribution by regions differs from the composition of the credit risk exposure by geographical segments of Erste Group.

Credit risk exposure by reporting segment and risk category

The segment reporting of Erste Group is based on the matrix organisation by business segment as well as by geographical segment. The geographical segmentation follows the country markets in which Erste Group operates and the locations of the banking and other financial institutions participations.

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 20					
Retail	58,728	5,398	2,467	1,450	68,043
Corporates	65,664	11,164	2,553	1,494	80,874
Group Markets	20,161	1,006	303	6	21,476
ALM & LCC	47,900	196	150	23	48,269
Savings Banks	60,261	6,864	1,309	1,361	69,796
GCC	299	24	6	17	345
Total	**253,013**	**24,651**	**6,788**	**4,351**	**288,803**
Dec 19					
Retail	58,616	5,977	2,512	1,474	68,579
Corporates	67,378	6,807	2,189	1,467	77,841
Group Markets	17,962	346	133	3	18,444
ALM & LCC	41,554	121	92	75	41,842
Savings Banks	57,280	6,673	1,403	1,431	66,786
GCC	252	13	9	13	287
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**

Credit risk exposure by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Jun 20						
Retail	59,153	6,715	1,387	126	661	68,043
Corporates	60,893	14,295	1,214	253	4,219	80,874
Group Markets	13,859	193	6	0	7,418	21,476
ALM & LCC	47,677	170	23	0	399	48,269
Savings Banks	54,077	11,303	1,325	47	3,043	69,796
GCC	259	14	17	0	56	345
Total	**235,918**	**32,690**	**3,973**	**427**	**15,796**	**288,803**
Dec 19						
Retail	61,886	4,613	1,398	139	543	68,579
Corporates	67,684	5,489	1,203	294	3,170	77,841
Group Markets	12,199	126	2	0	6,116	18,444
ALM & LCC	41,380	78	75	0	309	41,842
Savings Banks	56,822	5,945	1,397	47	2,576	66,786
GCC	205	3	13	0	65	287
Total	**240,176**	**16,256**	**4,087**	**480**	**12,779**	**273,778**

Stage 1 and Stage 2 comprise not impaired credit risks, while Stage 3 includes impaired credit risks. POCI (purchased or originated credit impaired) exposure consists of credit risks already impaired when purchased or originated.

The defaulted part of POCI amounted to EUR 278 million (EUR 339 million), the non-defaulted part to EUR 149 million (EUR 141 million).

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 20					
Austria	**139,514**	**11,699**	**2,514**	**2,198**	**155,925**
EBOe & Subsidiaries	41,708	2,900	631	481	45,721
Savings Banks	60,261	6,864	1,309	1,361	69,796
Other Austria	37,544	1,935	574	355	40,408
Central and Eastern Europe	**106,221**	**12,925**	**4,268**	**2,136**	**125,550**
Czech Republic	55,530	6,466	1,905	560	64,461
Romania	14,106	1,438	511	462	16,517
Slovakia	16,948	2,361	803	454	20,566
Hungary	8,699	1,101	583	104	10,488
Croatia	8,931	1,239	383	535	11,088
Serbia	2,007	320	83	20	2,430
Other	**7,278**	**27**	**6**	**17**	**7,328**
Total	**253,013**	**24,651**	**6,788**	**4,351**	**288,803**
Dec 19					
Austria	**134,745**	**10,174**	**2,309**	**2,324**	**149,551**
EBOe & Subsidiaries	41,074	2,788	584	529	44,975
Savings Banks	57,280	6,673	1,403	1,431	66,786
Other Austria	36,391	713	323	364	37,790
Central and Eastern Europe	**102,434**	**9,749**	**4,019**	**2,126**	**118,328**
Czech Republic	53,611	4,596	1,161	556	59,924
Romania	13,926	1,430	559	441	16,356
Slovakia	16,553	1,291	1,541	473	19,859
Hungary	7,883	1,014	403	133	9,432
Croatia	8,649	1,102	299	501	10,551
Serbia	1,812	316	57	21	2,206
Other	**5,863**	**13**	**9**	**13**	**5,899**
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**

Credit risk exposure by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Jun 20						
Austria	**118,037**	**23,409**	**2,116**	**70**	**12,292**	**155,925**
EBOe & Subsidiaries	37,471	6,802	474	6	967	45,721
Savings Banks	54,077	11,303	1,325	47	3,043	69,796
Other Austria	26,488	5,304	317	17	8,282	40,408
Central and Eastern Europe	**110,664**	**9,265**	**1,839**	**357**	**3,427**	**125,550**
Czech Republic	59,450	3,800	528	37	644	64,461
Romania	13,301	1,798	371	75	972	16,517
Slovakia	17,755	1,665	339	137	671	20,566
Hungary	8,538	934	72	82	862	10,488
Croatia	9,655	857	512	23	42	11,088
Serbia	1,965	210	17	2	236	2,430
Other	**7,218**	**16**	**17**	**0**	**77**	**7,328**
Total	**235,918**	**32,690**	**3,973**	**427**	**15,796**	**288,803**
Dec 19						
Austria	**124,594**	**11,625**	**2,245**	**69**	**11,017**	**149,551**
EBOe & Subsidiaries	39,844	3,553	523	6	1,049	44,975
Savings Banks	56,822	5,945	1,397	47	2,576	66,786
Other Austria	27,928	2,127	326	17	7,392	37,790
Central and Eastern Europe	**109,787**	**4,627**	**1,829**	**411**	**1,674**	**118,328**
Czech Republic	57,259	1,746	525	32	362	59,924
Romania	14,020	1,551	370	110	303	16,356
Slovakia	18,774	511	360	135	79	19,859
Hungary	8,360	264	87	94	626	9,432
Croatia	9,499	488	468	37	59	10,551
Serbia	1,875	66	18	2	246	2,206
Other	**5,795**	**3**	**13**	**0**	**88**	**5,899**
Total	**240,176**	**16,256**	**4,087**	**480**	**12,779**	**273,778**

Expected credit loss measurement

The general principles and standards for credit loss allowances are governed by internal policies in Erste Group. According to IFRS 9, credit loss allowances are calculated for all components of credit risk exposures which are measured at amortised cost (AC) or at fair value through other comprehensive income. They include debt securities, loans and advances, demand deposits on nostro accounts with commercial banks as well as finance lease and trade receivables. In addition, credit loss allowances are calculated for loan commitments and financial guarantees if they meet the applicable IFRS 9 definitions.

Classification into stages and definition of credit-impaired financial instruments

There are three main stages outlined for expected credit loss (ECL) determination. The stages approach applies to financial instruments within the scope of the impairment requirements of IFRS 9 and those that are not categorised as purchased or originated credit impaired financial assets (POCI), which form a category of their own. Depending on the impairment status and the assessment of the development of credit risk, these financial instruments are assigned to one of the three stages.

Stage 1 includes not credit-impaired financial instruments at initial recognition and not credit-impaired financial instruments without a significant increase in credit risk (SICR) since initial recognition, irrespective of their credit quality, or subject to the 'low risk exemption' allowed by IFRS 9. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

Stage 2 includes not credit-impaired financial instruments with a significant increase in credit risk since initial recognition and not subject to the 'low credit risk exemption' allowed by IFRS 9. Also, Stage 2 includes trade receivables without significant financing component to which the 'simplified approach' is applied mandatorily based on IFRS 9 requirements. In stage 2, the credit loss allowances are calculated as lifetime ECL. In the case of drawings by non-defaulted customers on previously committed credit lines, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2, depending on the development of credit risk between the commitment date and the drawing date.

Stage 3 includes financial instruments that are credit-impaired at the reporting date but were not credit-impaired at initial recognition. In principle, a financial instrument becomes credit-impaired when the customer defaults. The default definition applied in Erste Group has been developed in accordance with EBA/GL/2016/07 'Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013' and 'Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 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 definition specifies the rules for default contagion across groups of connected clients and clarifies the concept of technical default. Erste Group generally applies a customer view in applying the default definition, which leads to an impairment of all claims even if the customer defaults only on one of several transactions ('pulling effect'). On the other hand, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired. In stage 3, credit loss allowances are calculated as lifetime ECLs.

POCI includes financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses against POCI exposures are always calculated on a lifetime basis (cumulative changes in lifetime ECL since initial recognition), and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favourable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Significant increase in credit risk determination

Assessment of significant increase in credit risk of financial instruments as at the reporting date since initial recognition is one of the key drivers affecting the amount of the ECL recognised based on IFRS 9 requirements. In this respect, across portfolios and product types, quantitative and qualitative indicators are defined for assessing SICR, including the indicator of 30 days-past-due (DPD).

Quantitative criteria. Quantitative SICR indicators include adverse changes in annualised lifetime probability of default and in lifetime probability of default with significance being assessed by reference to a mix of relative and absolute change thresholds. The bank has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in PD compared to initial recognition. In order for the SICR to occur for a particular financial instrument, both the relative and absolute thresholds need to be breached.

The relative measure is calculated as a ratio between current annualised PD and annualised PD value on initial recognition. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to initial and on-going validation.

Relative thresholds for SICR assessment by geographical segment

	Threshold interval (x times)	
	Min	Max
Jun 20		
Austria	**1.13**	**2.37**
EBOe & Subs.	1.13	2.37
Savings Banks	1.13	2.37
Other Austria	1.13	2.37
CEE	**1.03**	**4.08**
Czech Republic	1.13	3.59
Slovakia	1.13	4.08
Romania	1.13	3.36
Hungary	1.13	3.21
Croatia	1.13	3.13
Serbia	1.03	3.47
Total	**1.03**	**4.08**
Dec 19		
Austria	**1.13**	**2.37**
EBOe & Subs.	1.13	2.37
Savings Banks	1.13	2.37
Other Austria	1.13	2.37
CEE	**1.03**	**4.41**
Czech Republic	1.13	3.59
Slovakia	1.13	4.41
Romania	1.13	3.36
Hungary	1.13	3.21
Croatia	1.13	3.13
Serbia	1.03	3.47
Total	**1.03**	**4.41**

Thresholds might seem to show high dispersion, but they are driven mainly by regional and rating diversity. Regions with higher credit quality portfolios have lower thresholds than those with lower credit quality portfolios. The minimal threshold in almost all regions of 1.13 refers to sovereign rating classes that are centrally established. The average threshold of the Group is between 2 and 3.

There are certain portfolios where SICR quantitative criteria are assessed based on the ratings rather than PDs. The main rule in those cases is that downgrading of the ratings would lead to a positive conclusion on SICR. These rules are applied primarily to leasing and factoring business receivables.

For migration back to Stage 1 there are no additional cure periods established for quantitative criteria other than those already established in general credit risk practice (e.g. for rating improvement).

The absolute threshold refers to difference of LT PD on initial recognition and current LT PD. It is set to a maximum of 50 bps and serves as a back-stop for migrations between the best ratings (LT PDs considered for remaining maturity). In such cases, relative thresholds may be breached, however overall LT PD is very low, and therefore SICR is not positively concluded.

Qualitative criteria. Qualitative SICR indicators include forbearance-type flags (identification of regulatory forbearance), work-out transfer flags (when the account starts being monitored by the work-out department), information from the early-warning system (if it is not sufficiently considered in the rating) and fraud indicators. The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and in a timely manner. The related group-wide and entity-level credit risk controlling policies and procedures (adapted as necessary in the light of transition to IFRS 9) ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future.

Besides the qualitative indicators defined on a client level, the assessment of a significant increase in credit risk is performed on a portfolio level if the increase in credit risk on individual instruments or at a client level is available only with a certain time lag or is observable exclusively on a portfolio level. We have introduced additional portfolio level SICR assessment criteria due to COVID-19 pandemic and related economic impacts. Please see Covid-19 disclosures starting on page 57.

Examples are stage 2 overrides for parts of Swiss franc retail portfolio or in case of high LTV loans resulting from a specific law in Romania (clients are allowed to give up on real estate collateral against waiver of principal).

For migration back to Stage 1 there are no additional cure periods established for qualitative criteria other than those already established in general credit risk practice for the above-mentioned flags (forbearance, watch lists).

Backstop. A backstop is applied and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

Low credit risk exemption. The 'low credit risk exemption' allowed by IFRS 9 for 'investment grade' assets or other assets deemed 'low risk' (and resulting in 12 months expected credit losses being calculated irrespective of SICR quantitative measures) has been implemented with limitations in Erste Group. Thus, the potential activation of this exemption is limited to particular types of debt instruments and counterparty categories, and only if supported by sufficient 'low risk' evidence. On this basis, the 'low risk exemption' is expected to occasionally apply to some debt security exposures and only exceptionally to loans.

Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

The individual calculation approach is applied in case of exposures to significant defaulted customers in Stage 3 or POCI. It consists in the individual assessment of the difference between the gross carrying amount and the present value of the expected cash flows, which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate). However, the discount rate for financial guarantees shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows which in Erste Group's implementation means using a risk free rate as a proxy.

A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. Otherwise, the customer is considered insignificant and a rule-based (collective) approach is used for the calculation of the related credit loss allowance as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process.

For exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2), collective allowances are calculated according to a rule-based approach irrespective of the significance of the customer. The calculation of collective allowances requires grouping the related exposures into homogenous clusters on the basis of shared risk characteristics. The grouping criteria may differ based on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band, and credit rating band.

The calculation of credit loss allowances is done on a monthly basis on a single exposure level and in the contractual currency of the exposure. To compute the collective credit loss allowance, Erste Group applies an expected credit loss (ECL) model based on a three-stage approach that leads to either a 12-month ECL or to a lifetime ECL. ECL is the discounted product of exposure at default (EAD) that also includes a credit conversion factor in the case of off-balance sheet exposures, probability of default (PD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (per definition of default below), either over next 12 months (1Y PD) for Stage 1 exposures or over the remaining lifetime (LT PD) for Stage 2 and 3 and POCI exposures.
- EAD is based on the amounts Erste Group expects to be owed at the time of default, over next 12 months (1Y EAD) for Stage 1 exposures, or over the remaining lifetime (LT EAD) for Stage 2 and 3 and POCI exposures. The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default.
- LGD represents the Erste Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

Life-time parameters

The LT PD is developed through observation of historical defaults from initial recognition through the life-time of the loans. It is assumed to be the same across all assets in the same portfolio and rating band.

The 1Y and LT EADs are determined based on the expected payment profiles, which vary by product type. The LT EAD calculation utilises repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, credit conversion factor is estimated for reflecting the expected credit exposure in the EAD.

The LGD is estimated as a lifetime curve for any point in time, based on historical loss observations.

The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of collective allowances differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis, if the characteristics of the respective portfolio in combination with IFRS standards necessitate this.

Incorporation of forward-looking information

Parameters are determined to reflect the risk as a ‘point-in-time’ measure and with consideration of forward-looking information (FLI). This results in using a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. The alternative scenarios are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts, where the baseline forecasts are, with a few exceptions, internally determined by Erste Group’s research department. Given multiple scenarios, the ‘neutral’ PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers. The same macro-shift models as for external and internal stress test are used. Forward-looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns back to through-the-cycle observations immediately in year four.

Thus, the unbiased probability-weighted ECL considering FLI is derived using the weights representing the probability of occurrence of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. Nevertheless, the main indication of estimated economic development is the GDP development. We are disclosing sensitivity of the staging and ECL on macro scenarios in the Covid-19 section below.

Baseline, upside and downside scenarios of GDP growth by geographical segment

		Probability weights		GDP growth in %			
	Scenario	2020	2021-22	2019	2020	2021	2022
Jun 20							
	Upside	39%	3%		-3.6	5.6	3.4
Austria	Baseline	40%	40%	1.6	-6.0	4.2	2.0
	Downside	21%	57%		-7.2	2.0	-0.2
	Upside	39%	39%		-3.9	4.8	3.5
Czech Republic	Baseline	40%	40%	2.0	-7.0	4.5	3.2
	Downside	21%	21%		-8.8	-3.0	-4.3
	Upside	39%	7%		-3.7	9.6	5.6
Slovakia	Baseline	40%	40%	2.3	-7.5	7.1	3.1
	Downside	21%	53%		-10.3	3.3	-0.7
	Upside	39%	18%		-0.9	6.4	5.1
Romania	Baseline	40%	40%	4.2	-4.7	3.9	2.5
	Downside	21%	42%		-7.2	0.5	-0.8
	Upside	39%	11%		-1.8	5.2	4.5
Hungary	Baseline	40%	40%	5.0	-4.6	4.1	3.4
	Downside	21%	49%		-5.4	2.1	1.4
	Upside	39%	39%		-5.9	9.7	6.9
Croatia	Baseline	40%	40%	4.4	-9.0	5.4	2.3
	Downside	21%	21%		-12.1	1.1	-2.3
	Upside	17%	17%		0.5	6.5	5.8
Serbia	Baseline	40%	40%	4.1	-2.3	4.7	4.0
	Downside	43%	43%		-3.7	2.5	1.8
Dec 19							
	Upside	11%	11%	1.7	3.1	3.2	3.1
Austria	Baseline	50%	50%	1.7	1.6	1.7	1.6
	Downside	39%	39%	1.7	-0.2	-0.1	-0.2
	Upside	13%	13%	2.6	4.6	4.7	4.8
Czech Republic	Baseline	50%	50%	2.6	2.6	2.7	2.8
	Downside	37%	37%	2.6	0.1	0.2	0.3
	Upside	12%	12%	3.4	5.7	5.3	5.2
Slovakia	Baseline	50%	50%	3.4	3.3	2.9	2.8
	Downside	38%	38%	3.4	0.1	-0.3	-0.4
	Upside	10%	10%	4.5	6.9	6.5	5.0
Romania	Baseline	50%	50%	4.5	3.8	3.4	1.9
	Downside	40%	40%	4.5	0.3	-0.1	-1.6
	Upside	7%	7%	4.1	5.0	4.4	4.3
Hungary	Baseline	50%	50%	4.1	3.2	2.6	2.5
	Downside	43%	43%	4.1	0.6	0.0	-0.1
	Upside	10%	10%	3.2	4.1	5.3	6.3
Croatia	Baseline	50%	50%	3.2	2.5	2.4	2.4
	Downside	40%	40%	3.2	0.9	-0.5	-1.5
	Upside	10%	10%	3.3	5.7	6.2	n/a
Serbia	Baseline	50%	50%	3.3	3.5	4.0	n/a
	Downside	40%	40%	3.3	1.1	1.6	n/a

As of December 2019, the growth rates for the year 2019 correspond to estimated values. As of June 2020, they represent real observed values.

Covid-19

The Covid-19 pandemic has been causing high uncertainty in the global economy and on the global markets. Social distancing rules and lockdown restrictions imposed by governments led to economic slow-down and a significant drop of revenues across industries. Unprecedented state aid packages (e.g. state guarantees, bridge financing, the state temporarily paying workers' salaries to avoid redundancies, hardship funds for one-person and micro businesses) and moratoria programs were introduced in all of Erste Group's core markets to support citizens and companies. While such measures mitigate the negative economic effects, they complicate a timely reflection of a potential deterioration of the loan portfolios.

Effect on customers

Immediately upon the crisis showing severe economic impacts in our region (governmental decisions on lockdowns in countries of Erste Group perimeter), initiatives were started aiming to, on the one hand support Erste Group´s clients to the utmost extent, and on the other hand, manage the respective risks and bearing the responsibility of Erste Group towards all stakeholders in mind.

The measures differed from country to country as they had to be based on the legislative steps taken by the respective governments. Nevertheless, Erste Group gave a guidance to the entities in respect of underwriting, reporting and classification processes. Apart from overall valid state-moratoria as e.g. in Hungary and Serbia, some measures like short-term deferrals were applied in all countries, whereas financial support schemes with public or state guarantees were offered only in some countries or to some client-segments. In addition to programmes with standard parameters that were defined at a very early stage of the crisis and should support an efficient processing, also individual solutions were agreed with clients that did not meet all predefined requirements.

Credit risk exposure of non-financial corporations by industry – measures applied in response to the COVID-19 crisis

in EUR million	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis	Public guarantees received in the context of the Covid-19 crisis
Jun 20				
Agriculture and forestry	234	17	4	3
Mining	33	2	2	2
Manufacturing	1,391	609	109	80
Energy and water supply	220	21	9	4
Construction	295	91	46	36
Trade	788	228	152	118
Transport and communication	582	128	34	27
Hotels and restaurants	1,065	300	68	57
Financial and insurance services	82	1	0	0
Real estate and housing	1,760	1,111	3	2
Services	402	264	149	79
Public administration	0	1	-	-
Education, health and art	168	49	13	10
Total	**7,019**	**2,822**	**587**	**418**

Loans and advances of non-financial corporations to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to EUR 10.4 billion as of 30 June 2020. Measures mostly refer to EBA-compliant moratoria. The highest amount of granted moratoria measures in non-financial corporations refers to real estate and housing and manufacturing, followed by hotels and restaurants and trade.

Loans and advances of households to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to EUR 7.6 billion as of 30 June 2020

Effect on business

In March, Risk and Business divisions started a joint initiative aiming to quickly provide a harmonised guidance for a focused industry approach within Erste Group, reflecting the changed economic environment. Industries and sub-industries were categorised into high, medium and low expected impacts due to Covid-19 based on a combination of research material, feedback collected from client meetings and single name analyses, both centrally as well as in the entities.

Main drivers for assigning corresponding green, yellow and red industry classification was the assessment of both, short-term as well as medium-term impacts of the crisis on the specific (sub)industry. E.g. a complete lock-down of businesses like hotels or passenger air transport resulted in a "red" classification on short-term view and based on expected re-opening/ recovery remained on "red" or was assessed as "yellow" or "green" on medium-term view. A respective business and risk strategy for the (sub)industries was formulated based on the assessment. The assessed risk for the specific (sub)industry can lead to strategic recommendations (e.g. to temporarily limit financing for specific categories to existing clients only) and/or the revision of underwriting standards. This approach was aligned with all affected entities and business lines and approved by the respective governance bodies of Erste Group. Exposures in particular industries that belong to red sub-industries are referred to in the tables as high risk.

Credit risk exposure and credit loss allowances by industry and IFRS9 treatment – industry heatmap

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
Jun 20								
Agriculture and forestry	2,669	464	106	8	3,247	24	3,271	- 86
of which high risk	16	1	0	-	18	-	18	- 0
Mining	589	54	8	2	653	198	851	- 20
of which high risk	483	31	0	2	517	166	683	- 1
Manufacturing	14,318	4,159	490	38	19,005	1,303	20,308	- 490
of which high risk	5,468	2,667	201	28	8,363	95	8,458	- 205
Energy and water supply	3,575	665	69	3	4,311	196	4,507	- 95
of which high risk	19	0	-	-	19	-	19	- 0
Construction	8,807	1,624	334	19	10,784	1,271	12,055	- 346
of which high risk	50	6	1	-	56	0	56	- 1
Trade	9,980	3,158	378	42	13,558	741	14,299	- 391
of which high risk	3,670	1,799	125	7	5,601	68	5,669	- 148
Transport and communication	6,068	1,411	116	4	7,598	501	8,099	- 146
of which high risk	1,438	615	23	1	2,077	25	2,102	- 36
Hotels and restaurants	2,307	2,895	236	25	5,463	90	5,553	- 206
of which high risk	2,254	2,874	228	25	5,381	56	5,437	- 197
Financial and insurance services	40,082	1,442	31	13	41,568	5,849	47,418	- 88
Real estate and housing	24,901	5,612	258	133	30,905	718	31,623	- 384
of which high risk	582	110	7	0	699	2	701	- 7
Services	10,356	2,998	231	11	13,596	898	14,494	- 276
of which high risk	5,108	1,303	74	8	6,493	135	6,628	- 101
Public administration	38,690	317	1	3	39,010	3,231	42,241	- 23
Education, health and art	2,929	658	217	0	3,805	47	3,852	- 153
of which high risk	507	269	60	0	837	7	843	- 56
Private households	70,325	7,219	1,498	124	79,166	724	79,889	-1,404
Other	323	13	0	0	336	4	340	- 1
Total	**235,918**	**32,690**	**3,973**	**427**	**273,007**	**15,796**	**288,803**	**-4,109**
Dec 19								
Agriculture and forestry	2,849	265	111	11	3,236	14	3,250	-83
Mining	680	52	27	23	781	26	807	-27
Manufacturing	16,043	1,805	431	46	18,324	951	19,274	- 406
Energy and water supply	3,657	558	75	4	4,294	124	4,418	-89
Construction	10,160	862	389	31	11,441	890	12,332	- 348
Trade	11,290	1,363	396	41	13,091	666	13,757	- 346
Transport and communication	6,934	462	104	5	7,506	292	7,798	-97
Hotels and restaurants	4,314	503	243	26	5,086	41	5,126	-148
Financial and insurance services	34,931	515	27	13	35,486	5,362	40,848	-56
Real estate and housing	27,130	2,031	316	134	29,611	592	30,203	-291
Services	11,709	1,322	243	6	13,279	759	14,038	- 222
Public administration	35,748	385	1	3	36,137	2,459	38,595	- 13
Education, health and art	3,097	417	216	0	3,730	37	3,767	-136
Private households	71,273	5,715	1,511	136	78,636	562	79,198	- 1,256
Other	361	0	0	0	361	7	368	-1
Total	**240,176**	**16,256**	**4,087**	**480**	**260,999**	**12,779**	**273,778**	**-3,518**

Effect on Expected Credit Loss

As described above, an increase of the ECL might result from a re-assessment of the credit risk parameters and a migration to worse stages either via significant increase in credit risk (SICR) or a default.

We have concluded so far that all moratoria introduced in our core markets fulfil the conditions as defined in the EBA guidelines published on 25 March and 2 April 2020. Relief offered to credit owners thus did not result in an automatic transfers from Stage 1 to Stage 2. However, Erste Group continues to perform individual assessments whether there are other circumstances that would lead to forbearance or default classification.

We have re-assessed credit risk parameters based on the new macro-scenarios FLI overlay. We will continue monitoring of the macro and macro-prediction development in order to reflect up-to-date information in our credit risk parameters. GDP scenarios and weights are shown in a table on page 57. The effect of the FLI in the ECL calculation as of 30 June 2020 amounted to EUR 417 million. The increase of EUR 300 million in comparison with EUR 117 million as of 31 December 2019 can be directly attributed to the Covid-19 situation.

Erste Group has addressed expected SICR by introducing Covid-19 portfolio overlays. We divided the portfolio in private individuals (PIs) and non-private individuals (non-PIs) and assessed the customers by taking into account any Covid-19 related relieve measure granted as well as the internal industry heat-map and corresponding PD levels. Based on this assessment and individual reviews, customers were migrated to stage 2, i.e. life-time ECL measure. The industry heat map and the portfolio overlays are subject to regular reviews. The effect of Covid-19 portfolio overlays in the ECL calculation as of 30 June 2020 amounted to EUR 151 million.

Erste Group will assess releases of Covid-19 portfolio overlays for PI portfolios once the moratoria are lifted. When moratoria do no longer distort DPD information, behavioural scoring will allow proper SICR assessment. In case of non-PI portfolios, release of the overlays will be assessed after a consistent improvement of the macro indicators is observed.

Erste Group expects further increases of the ECL in the following quarters mainly due to:

- rating migrations of the portfolios,
- potential FLI updates and related changes in credit risk parameters,
- an increase in defaults especially after state aid measures, in particular moratoria, are lifted.

The sensitivity analyses tables below present staging splits of the current performing exposure and ECL. Movements of exposures between performing stages and resulting changes in ECL triggered by effect of Covid-19 SICR overlays and FLI macro overlays is shown.

Effects on industry segments, high risk industry subsegments and geographical segment are disclosed.

For the ECL change a positive sign (+) equals a release while a negative sign (-) equals an allocation. Values presented as sensitivities are results of internal simulations.

Sensitivity analyses – Forward looking information (FLI) and stage overlays due to the Covid-19 pandemic

Impact on credit risk exposure by geographical segment

	Current status – parameters (FLI shifted)		Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Jun 20						
Austria	**118,037**	**23,409**	**+6,415.1**	**-6,415.1**	**+5,154.6**	**-5,154.6**
EBOe & Subs.	37,471	6,802	+1,831.3	-1,831.3	+1,516.9	-1,516.9
Savings Banks	54,077	11,303	+3,337.3	-3,337.3	+2,252.2	-2,252.2
Other Austria	26,488	5,304	+1,246.5	-1,246.5	+1,385.4	-1,385.4
CEE	**110,664**	**9,265**	**+2,809.6**	**-2,809.6**	**+1,132.1**	**-1,132.1**
Czech Republic	59,450	3,800	+1,210.2	-1,210.2	+476.7	-476.7
Slovakia	17,755	1,665	+598.8	-598.8	+32.7	-32.7
Romania	13,301	1,798	+308.3	-308.3	+244.5	-244.5
Hungary	8,538	934	+388.9	-388.9	+214.9	-214.9
Croatia	9,655	857	+171.3	-171.3	+139.8	-139.8
Serbia	1,965	210	+132.1	-132.1	+23.6	-23.6
Other	**7,218**	**16**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**235,918**	**32,690**	**+9,224.7**	**-9,224.7**	**+6,286.7**	**-6,286.7**
Dec 19						
Austria	**124,594**	**11,625**	**+0.0**	**+0.0**	**+1,159.5**	**-1,159.5**
EBOe & Subs.	39,844	3,553	0	0	+264.8	-264.8
Savings Banks	56,822	5,945	0	0	+632.7	-632.7
Other Austria	27,928	2,127	0	0	+261.9	-261.9
CEE	**109,787**	**4,627**	**+0.0**	**+0.0**	**+444.3**	**-444.3**
Czech Republic	57,259	1,746	0	0	+82.3	-82.3
Slovakia	18,774	511	0	0	+21.8	-21.8
Romania	14,020	1,551	0	0	+251.1	-251.1
Hungary	8,360	264	0	0	+58.2	-58.2
Croatia	9,499	488	0	0	+23.1	-23.1
Serbia	1,875	66	0	0	+7.7	-7.7
Other	**5,795**	**3**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**240,176**	**16,256**	**+0.0**	**+0.0**	**+1,603.8**	**-1,603.8**

Impact on credit loss allowances by geographical segment

	Current status – parameters (FLI shifted)		Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Jun 20						
Austria	**-192**	**-600**	**-25.7**	**+90.9**	**+44.2**	**+190.4**
EBOe & Subs.	-38	-139	-6.8	+27.9	+11.0	+40.8
Savings Banks	-113	-320	-18.2	+58.8	+26.9	+88.7
Other Austria	-41	-141	-0.7	+4.2	+6.2	+60.9
CEE	**-238**	**-581**	**-35.8**	**+121.6**	**+55.8**	**+126.4**
Czech Republic	-73	-186	-14.4	+47.1	+8.8	+32.7
Slovakia	-30	-103	-4.4	+19.5	+3.0	+7.1
Romania	-48	-150	-5.4	+22.9	+10.4	+42.6
Hungary	-15	-76	-5.5	+17.9	+10.9	+31.4
Croatia	-60	-52	-4.4	+9.4	+18.8	+10.7
Serbia	-11	-13	-1.7	+4.8	+3.9	+1.9
Other	**-1**	**0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**-431**	**-1,182**	**-61.6**	**+212.5**	**+99.9**	**+316.8**
Dec 19						
Austria	**-173**	**-290**	**+0.0**	**+0.0**	**+2.2**	**+42.2**
EBOe & Subs.	-37	-69	0	0	+1.0	+8.0
Savings Banks	-108	-179	0	0	+1.5	+22.8
Other Austria	-28	-42	0	0	-0.3	+11.3
CEE	**-252**	**-317**	**+0.0**	**+0.0**	**+24.3**	**+48.5**
Czech Republic	-78	-84	0	0	+1.1	+4.7
Slovakia	-39	-38	0	0	-0.3	+2.4
Romania	-47	-135	0	0	+4.5	+32.1
Hungary	-16	-27	0	0	+5.1	+7.8
Croatia	-61	-27	0	0	+11.7	+1.0
Serbia	-10	-6	0	0	+2.2	+0.6
Other	**0**	**0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**-425**	**-607**	**+0.0**	**+0.0**	**+26.4**	**+90.7**

Impact on credit risk exposure by industry

in EUR million	Current status – parameters (FLI shifted)		Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Jun 20						
Agriculture and forestry	2,669	464	+97.5	-97.5	+122.8	-122.8
of which high risk	16	1	+0.6	-0.6	+0.0	+0.0
Mining	589	54	+11.2	-11.2	+27.0	-27.0
of which high risk	483	31	+6.1	-6.1	+21.1	-21.1
Manufacturing	14,318	4,159	+2,085.7	-2,085.7	+998.0	-998.0
of which high risk	5,468	2,667	+1,772.4	-1,772.4	+217.6	-217.6
Energy and water supply	3,575	665	+2.9	-2.9	+135.1	-135.1
of which high risk	19	0	+0.0	+0.0	+0.0	+0.0
Construction	8,807	1,624	+425.0	-425.0	+939.4	-939.4
of which high risk	50	6	+408.6	-408.6	+64.6	-64.6
Trade	9,980	3,158	+1,370.7	-1,370.7	+414.0	-414.0
of which high risk	3,670	1,799	+1,309.8	-1,309.8	+191.8	-191.8
Transport and communication	6,068	1,411	+509.9	-509.9	+197.3	-197.3
of which high risk	1,438	615	+393.5	-393.5	+22.8	-22.8
Hotels and restaurants	2,307	2,895	+2,007.5	-2,007.5	+184.0	-184.0
of which high risk	2,254	2,874	+1,999.3	-1,999.3	+175.2	-175.2
Financial and insurance services	40,082	1,442	+3.9	-3.9	+243.9	-243.9
Real estate and housing	24,901	5,612	+1,223.1	-1,223.1	+1,595.1	-1,595.1
of which high risk	582	110	+945.8	-945.8	+156.4	-156.4
Services	10,356	2,998	+593.2	-593.2	+293.0	-293.0
of which high risk	5,108	1,303	+575.4	-575.4	+190.2	-190.2
Public administration	38,690	317	+1.3	-1.3	+254.9	-254.9
Education, health and art	2,929	658	+183.8	-183.8	+83.4	-83.4
of which high risk	507	269	+181.3	-181.3	+4.8	-4.8
Households	70,325	7,219	+706.0	-706.0	+793.0	-793.0
Other	323	13	+3.0	-3.0	+5.8	-5.8
Total	**235,918**	**32,690**	**+9,224.7**	**-9,224.7**	**+6,286.7**	**-6,286.7**
Dec 19						
Agriculture and forestry	2,849	265	+0.0	+0.0	+15.5	-15.5
Mining	680	52	+0.0	+0.0	+0.3	-0.3
Manufacturing	16,043	1,805	+0.0	+0.0	+193.7	-193.7
Energy and water supply	3,657	558	+0.0	+0.0	+8.9	-8.9
Construction	10,160	862	+0.0	+0.0	+122.7	-122.7
Trade	11,290	1,363	+0.0	+0.0	+167.5	-167.5
Transport and communication	6,934	462	+0.0	+0.0	+36.4	-36.4
Hotels and restaurants	4,314	503	+0.0	+0.0	+29.9	-29.9
Financial and insurance services	34,931	515	+0.0	+0.0	+30.9	-30.9
Real estate and housing	27,130	2,031	+0.0	+0.0	+276.8	-276.8
Services	11,709	1,322	+0.0	+0.0	+219.1	-219.1
Public administration	35,748	385	+0.0	+0.0	+0.0	-0.0
Education, health and art	3,097	417	+0.0	+0.0	+26.5	-26.5
Households	71,273	5,715	+0.0	+0.0	+474.6	-474.6
Other	361	0	+0.0	+0.0	+1.0	-1.0
Total	**240,176**	**16,256**	**+0.0**	**+0.0**	**+1,603.8**	**-1,603.8**

Impact on credit loss allowances by industry

in EUR million	Current status – parameters (FLI shifted)	Current status without stage overlays due to Covid-19		Point in time parameters (before FLI shift)	
	All stages	Stage 1	Stage 2	Stage 1	Stage 2
Jun 20					
Agriculture and forestry	-86	-1.3	+3.5	+2.1	+7.4
of which high risk	0	-0.0	+0.0	+0.0	+0.0
Mining	-20	-0.1	+0.5	+0.1	+0.6
of which high risk	-1	-0.1	+0.4	+0.1	+0.4
Manufacturing	-490	-9.2	+27.8	+10.8	+53.1
of which high risk	-205	-6.5	+19.0	+5.3	+22.6
Energy and water supply	-95	-0.0	+0.1	+3.8	+5.7
of which high risk	0	-0.0	+0.0	+0.1	+0.0
Construction	-346	-0.9	+3.5	+5.7	+23.3
of which high risk	-1	-0.7	+2.9	+0.4	+2.1
Trade	-391	-8.3	+23.7	+8.7	+23.8
of which high risk	-148	-7.4	+21.7	+3.7	+12.4
Transport and communication	-146	-5.0	+16.8	+5.4	+17.5
of which high risk	-36	-3.7	+12.6	+2.1	+6.6
Hotels and restaurants	-206	-10.7	+43.1	+6.0	+19.2
of which high risk	-197	-10.6	+42.9	+5.8	+18.5
Financial and insurance services	-88	-0.0	+0.1	+3.8	+6.1
Real estate and housing	-384	-5.5	+24.7	+14.0	+52.9
of which high risk	-7	-2.9	+16.3	+1.4	+4.2
Services	-276	-3.6	+11.0	+3.9	+13.3
of which high risk	-101	-3.3	+10.2	+2.2	+6.7
Public administration	-23	-0.0	+0.0	+2.4	+0.6
Education, health and art	-153	-1.3	+4.3	+3.0	+6.1
of which high risk	-56	-1.2	+4.2	+1.7	+1.5
Households	-1,404	-15.7	+53.5	+30.0	+86.0
Other	-1	-0.0	+0.0	+0.3	+1.1
Total	**-4,109**	**-61.6**	**+212.5**	**+99.9**	**+316.8**
Dec 19					
Agriculture and forestry	-83	+0.0	+0.0	+0.9	+1.1
Mining	-27	+0.0	+0.0	+0.1	+0.1
Manufacturing	-406	+0.0	+0.0	+1.8	+8.6
Energy and water supply	-89	+0.0	+0.0	+1.1	+0.7
Construction	-348	+0.0	+0.0	+5.3	+3.4
Trade	-346	+0.0	+0.0	+1.2	+7.1
Transport and communication	-97	+0.0	+0.0	+1.0	+2.0
Hotels and restaurants	-148	+0.0	+0.0	+1.1	+2.3
Financial and insurance services	-56	+0.0	+0.0	+0.9	+1.2
Real estate and housing	-291	+0.0	+0.0	+1.8	+8.9
Services	-222	+0.0	+0.0	+0.3	+5.5
Public administration	-13	+0.0	+0.0	+0.0	+0.0
Education, health and art	-136	+0.0	+0.0	+0.9	+1.5
Private households	-1,256	+0.0	+0.0	+10.0	+48.3
Other	-1	+0.0	+0.0	-0.0	+0.0
Total	**-3,518**	**+0.0**	**+0.0**	**+26.4**	**+90.7**

The following tables present sensitivity analyses taking into consideration only changes due to the different values of PDs according to the baseline, upside and downside FLI scenarios. Covid-19 SICR overlays are ignored. Sensitivities of these particular scenarios are calculated in comparison to current production - weighted scenarios FLI shifted - PDs (weights and scenarios are disclosed in the "Incorporation of forward-looking information" section above). The staging and ECL results if each baseline, upside or downside scenario were of 100% weight are shown in industry and geographical segmentation. The point in time PD effect as of 31 December 2019 is displayed as comparative information only.

The sensitivity analyses confirms that the FLI macro shift due to the Covid-19 induced macro situation is significantly higher in both exposure and ECL as of 30 June 2020 in comparison to 31 December 2019. Credit risk exposure in an amount of EUR 6,287 million is in stage 2 due to FLI shift as of 30 June 2020 compared to EUR 1,604 million as of 31 December 2019. This increase of stage 2 credit risk exposure led to an ECL increase of EUR 300 million (difference between EUR 417 million as of 30 June 2020 and EUR 117 million as of 31 December 2019). In addition, it can be concluded that current point in time PDs calculated based on latest observed default rates would lead to lower stage 2 credit risk exposures and related provisions than the upside FLI macro scenario. In a downside scenario, stage 2 credit risk exposure would increase by EUR 2,903 million corresponding to an increase of ECL by EUR 206 million.

Sensitivity analyses – Different probabilities of default (PD)

Impact of different scenarios on credit risk exposure by geographical segment

	Point in time (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
in EUR million	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**
Jun 20								
Austria	**+5,154.6**	**-5,154.6**	**+3,856.2**	**-3,856.2**	**-372.4**	**+372.4**	**-2,225.3**	**+2,225.3**
EBOe & Subs.	+1,516.9	-1,516.9	+998.5	-998.5	-152.7	+152.7	-673.7	+673.7
Savings Banks	+2,252.2	-2,252.2	+1,637.7	-1,637.7	-195.0	+195.0	-1,305.1	+1,305.1
Other Austria	+1,385.4	-1,385.4	+1,220.0	-1,220.0	-24.8	+24.8	-246.6	+246.6
CEE	**+1,132.1**	**-1,132.1**	**+371.6**	**-371.6**	**+41.1**	**-41.1**	**-678.0**	**+678.0**
Czech Republic	+476.7	-476.7	+230.3	-230.3	+32.9	-32.9	-374.6	+374.6
Slovakia	+32.7	-32.7	+5.5	-5.5	+0.1	-0.1	-5.6	+5.6
Romania	+244.5	-244.5	+9.8	-9.8	-0.7	+0.7	-7.7	+7.7
Hungary	+214.9	-214.9	+20.6	-20.6	+1.3	-1.3	-18.7	+18.7
Croatia	+139.8	-139.8	+85.9	-85.9	-7.8	+7.8	-165.1	+165.1
Serbia	+23.6	-23.6	+19.5	-19.5	+15.3	-15.3	-106.4	+106.4
Other	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**+6,286.7**	**-6,286.7**	**+4,227.8**	**-4,227.8**	**-331.4**	**+331.4**	**-2,903.4**	**+2,903.4**
Dec 19								
Austria	**+1,159.5**	**-1,159.5**						
EBOe & Subs.	+264.8	-264.8						
Savings Banks	+632.7	-632.7						
Other Austria	+261.9	-261.9						
CEE	**+444.3**	**-444.3**						
Czech Republic	+82.3	-82.3						
Slovakia	+21.8	-21.8						
Romania	+251.1	-251.1						
Hungary	+58.2	-58.2						
Croatia	+23.1	-23.1						
Serbia	+7.7	-7.7						
Other	**+0.0**	**+0.0**						
Total	**+1,603.8**	**-1,603.8**						

Impact of different scenarios on credit loss allowances by geographical segment

in EUR million	Point in time (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Jun 20								
Austria	**+44.2**	**+190.4**	**+5.0**	**+144.2**	**-11.0**	**-24.6**	**-12.2**	**-116.1**
EBOe & Subs.	+11.0	+40.8	+2.2	+30.4	-1.6	-7.6	-2.8	-27.6
Savings Banks	+26.9	+88.7	+6.0	+65.5	-4.8	-10.8	-7.1	-65.2
Other Austria	+6.2	+60.9	-3.2	+48.3	-4.5	-6.1	-2.4	-23.4
CEE	**+55.8**	**+126.4**	**+15.5**	**+27.5**	**+0.5**	**+0.5**	**-15.4**	**-62.3**
Czech Republic	+8.8	+32.7	+1.1	+12.7	-1.3	-0.3	+2.1	-37.7
Slovakia	+3.0	+7.1	+1.6	+2.2	+0.1	+0.1	-1.9	-2.6
Romania	+10.4	+42.6	+2.0	+1.5	-0.0	+0.1	-3.9	-1.6
Hungary	+10.9	+31.4	+0.7	+3.0	-0.3	+0.2	-1.1	-2.5
Croatia	+18.8	+10.7	+6.1	+6.6	-0.7	-0.4	-8.6	-13.6
Serbia	+3.9	+1.9	+4.0	+1.4	+2.7	+0.9	-2.1	-4.2
Other	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**+99.9**	**+316.8**	**+20.5**	**+171.7**	**-10.4**	**-24.1**	**-27.6**	**-178.4**
Dec 19								
Austria	**+2.2**	**+42.2**						
EBOe & Subs.	+1.0	+8.0						
Savings Banks	+1.5	+22.8						
Other Austria	-0.3	+11.3						
CEE	**+24.3**	**+48.5**						
Czech Republic	+1.1	+4.7						
Slovakia	-0.3	+2.4						
Romania	+4.5	+32.1						
Hungary	+5.1	+7.8						
Croatia	+11.7	+1.0						
Serbia	+2.2	+0.6						
Other	**+0.0**	**+0.0**						
Total	**+26.4**	**+90.7**						

Impact of different scenarios on credit risk exposure by industry

in EUR million	Point in time (before FLI shift) Stage 1	Point in time (before FLI shift) Stage 2	Upside scenario Stage 1	Upside scenario Stage 2	Baseline scenario Stage 1	Baseline scenario Stage 2	Downside scenario Stage 1	Downside scenario Stage 2
Jun 20								
Agriculture and forestry	+122.8	-122.8	+62.1	-62.1	+4.4	-4.4	-53.0	+53.0
of which high risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	-0.3	+0.3
Mining	+27.0	-27.0	+6.3	-6.3	-1.2	+1.2	-4.9	+4.9
of which high risk	+21.1	-21.1	+1.3	-1.3	-0.3	+0.3	-2.0	+2.0
Manufacturing	+998.0	-998.0	+795.0	-795.0	-177.9	+177.9	-371.3	+371.3
of which high risk	+217.6	-217.6	+185.5	-185.5	-100.8	+100.8	-163.6	+163.6
Energy and water supply	+135.1	-135.1	+84.5	-84.5	+11.0	-11.0	-50.3	+50.3
of which high risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Construction	+939.4	-939.4	+656.1	-656.1	-71.9	+71.9	-414.1	+414.1
of which high risk	+64.6	-64.6	+21.7	-21.7	-3.3	+3.3	-15.5	+15.5
Trade	+414.0	-414.0	+270.0	-270.0	-137.8	+137.8	-474.4	+474.4
of which high risk	+191.8	-191.8	+123.8	-123.8	-73.7	+73.7	-219.2	+219.2
Transport and communication	+197.3	-197.3	+158.7	-158.7	-87.1	+87.1	-157.3	+157.3
of which high risk	+22.8	-22.8	+15.6	-15.6	-19.1	+19.1	-29.3	+29.3
Hotels and restaurants	+184.0	-184.0	+164.1	-164.1	+39.9	-39.9	-153.2	+153.2
of which high risk	+175.2	-175.2	+157.8	-157.8	+56.3	-56.3	-135.7	+135.7
Financial and insurance services	+243.9	-243.9	+165.4	-165.4	-49.7	+49.7	-122.5	+122.5
Real estate and housing	+1,595.1	-1,595.1	+1,175.7	-1,175.7	+125.3	-125.3	-575.8	+575.8
of which high risk	+156.4	-156.4	+145.5	-145.5	+26.4	-26.4	-56.2	+56.2
Services	+293.0	-293.0	+167.5	-167.5	-51.0	+51.0	-209.6	+209.6
of which high risk	+190.2	-190.2	+105.8	-105.8	-51.8	+51.8	-127.2	+127.2
Public administration	+254.9	-254.9	+174.0	-174.0	+0.7	-0.7	-2.2	+2.2
Education, health and art	+83.4	-83.4	+65.2	-65.2	+5.1	-5.1	-60.6	+60.6
of which high risk	+4.8	-4.8	+1.9	-1.9	-5.1	+5.1	-25.1	+25.1
Households	+793.0	-793.0	+279.8	-279.8	+57.3	-57.3	-253.9	+253.9
Other	+5.8	-5.8	+3.3	-3.3	+1.7	-1.7	-0.4	+0.4
Total	**+6,286.7**	**-6,286.7**	**+4,227.8**	**-4,227.8**	**-331.4**	**+331.4**	**-2,903.4**	**+2,903.4**

Dec 19		
Agriculture and forestry	+15.5	-15.5
Mining	+0.3	-0.3
Manufacturing	+193.7	-193.7
Energy and water supply	+8.9	-8.9
Construction	+122.7	-122.7
Trade	+167.5	-167.5
Transport and communication	+36.4	-36.4
Hotels and restaurants	+29.9	-29.9
Financial and insurance services	+30.9	-30.9
Real estate and housing	+276.8	-276.8
Services	+219.1	-219.1
Public administration	+0.0	-0.0
Education, health and art	+26.5	-26.5
Households	+474.6	-474.6
Other	+1.0	-1.0
Total	**+1,603.8**	**-1,603.8**

Impact of different scenarios on credit loss allowances by industry

in EUR million	Point in time (before FLI shift)		Upside scenario		Baseline scenario		Downside scenario	
	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Jun 20								
Agriculture and forestry	+2.1	+7.4	+0.8	+3.4	+0.1	+0.0	-1.1	-4.7
of which high risk	+0.0	+0.0	+0.0	+0.0	-0.0	-0.0	+0.0	-0.0
Mining	+0.1	+0.6	+0.1	+0.3	-0.0	-0.1	-0.0	-0.3
of which high risk	+0.1	+0.4	+0.0	+0.1	+0.0	+0.0	-0.0	-0.1
Manufacturing	+10.8	+53.1	+1.2	+33.6	-0.8	-16.6	-2.5	-26.8
of which high risk	+5.3	+22.6	+1.2	+12.5	-0.0	-11.0	-0.2	-15.0
Energy and water supply	+3.8	+5.7	+1.4	+3.3	-0.4	+0.3	-1.8	-3.0
of which high risk	+0.1	+0.0	+0.0	+0.0	-0.0	+0.0	-0.0	-0.0
Construction	+5.7	+23.3	-0.1	+9.9	-0.8	-9.2	-0.9	-22.3
of which high risk	+0.4	+2.1	+0.0	+1.3	-0.2	-0.4	+0.0	-1.0
Trade	+8.7	+23.8	+2.8	+14.4	+0.3	-6.9	-1.3	-20.3
of which high risk	+3.7	+12.4	+1.2	+7.4	+0.2	-3.9	-0.1	-10.8
Transport and communication	+5.4	+17.5	+1.9	+8.8	-0.1	-3.6	-1.9	-9.8
of which high risk	+2.1	+6.6	+0.8	+2.0	+0.1	-0.9	-0.9	-2.9
Hotels and restaurants	+6.0	+19.2	+0.7	+16.2	-2.9	+7.4	-2.0	-12.4
of which high risk	+5.8	+18.5	+0.7	+15.9	-3.0	+8.1	-2.1	-11.4
Financial and insurance services	+3.8	+6.1	+1.0	+4.7	-0.1	-2.3	-1.4	-4.6
Real estate and housing	+14.0	+52.9	+2.1	+39.0	-3.5	+2.7	-4.2	-31.6
of which high risk	+1.4	+4.2	+0.1	+2.9	-0.2	+0.2	-0.1	-3.0
Services	+3.9	+13.3	+1.5	+7.8	-0.2	-2.4	-0.9	-12.8
of which high risk	+2.2	+6.7	+0.9	+4.0	+0.0	-2.4	-0.5	-6.8
Public administration	+2.4	+0.6	+1.0	+0.5	-0.1	+0.1	-1.8	-0.1
Education, health and art	+3.0	+6.1	+1.1	+4.4	-0.4	-0.2	-1.7	-4.3
of which high risk	+1.7	+1.5	+0.7	+0.9	-0.2	-0.4	-0.8	-1.6
Households	+30.0	+86.0	+4.9	+25.2	-1.5	+6.6	-6.1	-25.5
Other	+0.3	+1.1	+0.0	+0.1	-0.0	+0.0	-0.1	-0.1
Total	**+99.9**	**+316.8**	**+20.5**	**+171.7**	**-10.4**	**-24.1**	**-27.6**	**-178.4**

Dec 19		
Agriculture and forestry	+0.9	+1.1
Mining	+0.1	+0.1
Manufacturing	+1.8	+8.6
Energy and water supply	+1.1	+0.7
Construction	+5.3	+3.4
Trade	+1.2	+7.1
Transport and communication	+1.0	+2.0
Hotels and restaurants	+1.1	+2.3
Financial and insurance services	+0.9	+1.2
Real estate and housing	+1.8	+8.9
Services	+0.3	+5.5
Public administration	+0.0	+0.0
Education, health and art	+0.9	+1.5
Households	+10.0	+48.3
Other	-0.0	+0.0
Total	**+26.4**	**+90.7**

Loans and advances to customers

The following tables present the structure of the customer loan book, excluding loans to central banks and credit institutions broken-down by different categories. The presentation is by gross carrying amount excluding loan loss allowances and collateral.

Loans and advances to customers comprise:

_ loans and advances to customers at FVPL
_ loans and advances to customers at AC
_ finance lease receivables and
_ trade and other receivables.

On the next pages loans and advances to customers are presented by:

_ business segment and risk category;
_ business segment and IFRS 9 treatment;
_ geographical segment and risk category;
_ geographical segment and IFRS 9 treatment;
_ business segment and coverage of non-performing loans and advances to customers by loan loss allowances and collateral;
_ business segment and coverage by loan loss allowances and IFRS 9 treatment;
_ geographical segment and coverage of non-performing loans and advances to customers by loan loss allowances and collateral;
_ geographical segment and coverage by loan loss allowances and IFRS 9 treatment;
_ geographical segment and currency.

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 20					
Retail	50,586	4,875	2,267	1,431	59,159
Corporates	45,376	8,538	2,096	1,306	57,315
Group Markets	1,185	369	72	0	1,627
ALM & LCC	234	19	114	9	375
Savings Banks	41,009	5,393	1,151	1,280	48,833
GCC	25	16	2	17	60
Total	**138,414**	**19,210**	**5,702**	**4,043**	**167,369**
Dec 19					
Retail	50,297	5,385	2,277	1,454	59,413
Corporates	46,518	5,308	1,759	1,266	54,851
Group Markets	896	33	5	0	934
ALM & LCC	199	15	77	59	351
Savings Banks	39,959	5,319	1,196	1,349	47,823
GCC	24	7	2	13	46
Total	**137,892**	**16,066**	**5,317**	**4,142**	**163,418**

Loans and advances to customers by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Jun 20							
Retail	51,201	6,011	1,370	123	58,706	454	59,159
Corporates	44,242	11,569	1,146	203	57,160	155	57,315
Group Markets	1,550	76	0	0	1,627	0	1,627
ALM & LCC	321	46	9	0	375	0	375
Savings Banks	38,269	9,259	1,251	47	48,825	8	48,833
GCC	27	13	17	0	58	3	60
Total	**135,611**	**26,973**	**3,793**	**374**	**166,750**	**619**	**167,369**
Dec 19							
Retail	53,491	4,067	1,379	136	59,073	340	59,413
Corporates	49,049	4,371	1,066	233	54,719	132	54,851
Group Markets	888	46	0	0	934	0	934
ALM & LCC	274	17	59	0	351	0	351
Savings Banks	41,373	5,074	1,320	46	47,814	9	47,823
GCC	27	3	13	0	43	3	46
Total	**145,104**	**13,578**	**3,837**	**415**	**162,934**	**483**	**163,418**

Loans and advances to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Jun 20					
Austria	**87,438**	**8,898**	**2,067**	**2,062**	**100,465**
EBOe & Subsidiaries	31,468	2,443	577	453	34,941
Savings Banks	41,009	5,393	1,151	1,280	48,833
Other Austria	14,962	1,063	339	328	16,692
Central and Eastern Europe	**50,889**	**10,293**	**3,633**	**1,964**	**66,779**
Czech Republic	21,965	5,074	1,608	532	29,179
Romania	6,915	1,063	444	400	8,823
Slovakia	11,844	1,959	731	406	14,940
Hungary	3,354	895	465	99	4,812
Croatia	5,503	1,035	308	508	7,355
Serbia	1,308	267	77	19	1,671
Other	**87**	**19**	**2**	**17**	**124**
Total	**138,414**	**19,210**	**5,702**	**4,043**	**167,369**
Dec 19					
Austria	**85,578**	**7,958**	**1,912**	**2,191**	**97,639**
Erste Bank Oesterreich & Subsidiaries	31,302	2,303	540	500	34,645
Savings Banks	39,959	5,319	1,196	1,349	47,823
Other Austria	14,317	337	177	341	15,172
Central and Eastern Europe	**52,268**	**8,101**	**3,403**	**1,938**	**65,709**
Czech Republic	23,703	3,909	1,057	519	29,188
Romania	6,890	1,073	448	359	8,771
Slovakia	11,540	1,175	1,296	426	14,437
Hungary	3,534	866	307	124	4,831
Croatia	5,451	817	242	489	6,999
Serbia	1,149	261	52	20	1,482
Other	**46**	**7**	**2**	**13**	**69**
Total	**137,892**	**16,066**	**5,317**	**4,142**	**163,418**

Loans and advances to customers by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Jun 20							
Austria	**79,214**	**19,056**	**1,995**	**69**	**100,334**	**131**	**100,465**
EBOe & Subsidiaries	28,811	5,664	451	6	34,931	9	34,941
Savings Banks	38,269	9,259	1,251	47	48,825	8	48,833
Other Austria	12,134	4,134	294	16	16,578	114	16,692
Central and Eastern Europe	**56,307**	**7,902**	**1,781**	**304**	**66,294**	**485**	**66,779**
Czech Republic	25,488	3,120	502	37	29,147	31	29,179
Romania	6,866	1,520	368	70	8,822	0	8,823
Slovakia	12,959	1,552	338	91	14,940	0	14,940
Hungary	3,372	838	67	81	4,359	454	4,812
Croatia	6,159	684	489	23	7,355	0	7,355
Serbia	1,464	188	17	2	1,671	0	1,671
Other	**89**	**16**	**17**	**0**	**122**	**3**	**124**
Total	**135,611**	**26,973**	**3,793**	**374**	**166,750**	**619**	**167,369**
Dec 19							
Austria	**85,639**	**9,700**	**2,123**	**68**	**97,530**	**109**	**97,639**
EBOe & Subsidiaries	31,130	3,001	496	6	34,633	12	34,645
Savings Banks	41,373	5,074	1,320	46	47,814	9	47,823
Other Austria	13,136	1,624	307	16	15,084	88	15,172
Central and Eastern Europe	**59,415**	**3,875**	**1,701**	**347**	**65,338**	**372**	**65,709**
Czech Republic	27,169	1,467	489	32	29,157	31	29,188
Romania	7,102	1,272	300	97	8,770	1	8,771
Slovakia	13,519	474	358	85	14,437	0	14,437
Hungary	4,071	247	80	94	4,491	340	4,831
Croatia	6,154	352	456	37	6,999	0	6,999
Serbia	1,399	63	18	2	1,482	0	1,482
Other	**50**	**3**	**13**	**0**	**66**	**3**	**69**
Total	**145,104**	**13,578**	**3,837**	**415**	**162,934**	**483**	**163,418**

Stage 1 and Stage 2 comprise not credit impaired loans and advances while Stage 3 includes credit impaired loans and advances. POCI (purchased or originated credit impaired) loans are loans already credit impaired when purchased or originated.

The defaulted part of POCI loans amounted to EUR 227 million (EUR 281 million), the non-defaulted part to EUR 146 million (EUR 134 million).

In the following tables, the non-performing loans and advances to customers divided by reporting segment are contrasted with allowances for customer loans (all allowances for loans and advances to customers within the scope of IFRS 9) and the collateral for non-performing loans (NPL). The NPL ratio, the NPL coverage ratio (excluding collateral), and the NPL collateralisation ratio are also included.

Customer loans, non-performing loans and collateral include both AC and FVPL portfolios.

Non-performing loans and advances to customers by business segment and coverage by loan loss allowances and collateral

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	**Total**	**AC**	**Total**	**AC**	**AC**	**Total**	**AC**	**Total**	**AC**	**AC**	**Total**	**AC**
Jun 20												
Retail	1,431	1,430	59,159	58,706	-1,378	580	579	2.4%	2.4%	96.4%	40.5%	40.5%
Corporates	1,306	1,287	57,315	57,160	-1,300	514	514	2.3%	2.3%	101.0%	39.4%	39.9%
Group Markets	0	0	1,627	1,627	-3	0	0	0.0%	0.0%	>500%	0.0%	0.0%
ALM & LCC	9	9	375	375	-15	0	0	2.3%	2.3%	171.3%	1.5%	1.5%
Savings Banks	1,280	1,278	48,833	48,825	-948	649	647	2.6%	2.6%	74.2%	50.7%	50.6%
GCC	17	15	60	58	-16	7	5	28.2%	25.9%	110.3%	39.1%	30.3%
Total	**4,043**	**4,020**	**167,369**	**166,750**	**-3,662**	**1,750**	**1,745**	**2.4%**	**2.4%**	**91.1%**	**43.3%**	**43.4%**
Dec 19												
Retail	1,454	1,452	59,413	59,073	-1,202	617	616	2.4%	2.5%	82.8%	42.4%	42.4%
Corporates	1,266	1,247	54,851	54,719	-1,069	481	481	2.3%	2.3%	85.7%	38.0%	38.5%
Group Markets	0	0	934	934	-2	0	0	0.0%	0.0%	>500%	0.0%	0.0%
ALM & LCC	59	59	351	351	-26	48	48	16.9%	16.9%	44.0%	81.5%	81.5%
Savings Banks	1,349	1,347	47,823	47,814	-861	695	693	2.8%	2.8%	63.9%	51.5%	51.5%
GCC	13	11	46	43	-13	5	3	28.4%	25.6%	115.3%	40.4%	29.5%
Total	**4,142**	**4,117**	**163,418**	**162,934**	**-3,174**	**1,847**	**1,842**	**2.5%**	**2.5%**	**77.1%**	**44.6%**	**44.7%**

Loans and advances to customers at AC and coverage by loan loss allowances by business segment and IFRS 9 treatment

	Loans to customers				Allowances				Coverage ratio		
in EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Stage 2**	**Stage 3**	**POCI**
Jun 20											
Retail	51,201	6,011	1,370	123	-111	-395	-834	-38	6.6%	60.9%	30.6%
Corporates	44,242	11,569	1,146	203	-126	-362	-728	-84	3.1%	63.5%	41.4%
Group Markets	1,550	76	0	0	-2	-2	0	0	2.3%	9.5%	100.0%
ALM & LCC	321	46	9	0	-1	-5	-9	0	10.9%	99.0%	
Savings Banks	38,269	9,259	1,251	47	-88	-258	-599	-3	2.8%	47.9%	6.1%
GCC	27	13	17	0	0	0	-16	0	1.3%	95.2%	0.0%
Total	**135,611**	**26,973**	**3,793**	**374**	**-328**	**-1,022**	**-2,187**	**-125**	**3.8%**	**57.7%**	**33.4%**
Dec 19											
Retail	53,491	4,067	1,379	136	-116	-214	-827	-44	5.3%	60.0%	32.8%
Corporates	49,049	4,371	1,066	233	-137	-157	-682	-93	3.6%	64.0%	40.1%
Group Markets	888	46	0	0	-1	-1	0	0	3.1%	98.7%	100.0%
ALM & LCC	274	17	59	0	-1	-5	-20	0	29.9%	34.5%	0.0%
Savings Banks	41,373	5,074	1,320	46	-86	-143	-629	-3	2.8%	47.7%	5.5%
GCC	27	3	13	0	0	0	-13	0	0.1%	96.6%	0.0%
Total	**145,104**	**13,578**	**3,837**	**415**	**-341**	**-520**	**-2,172**	**-140**	**3.8%**	**56.6%**	**33.9%**

Non-performing loans and advances to customers by geographical segment and coverage by loan loss allowances and collateral

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Jun 20												
Austria	**2,062**	**2,042**	**100,465**	**100,334**	**-1,577**	**1,018**	**1,016**	**2.1%**	**2.0%**	**77.3%**	**49.4%**	**49.8%**
EBOe & Subs	453	453	34,941	34,931	-333	243	243	1.3%	1.3%	73.6%	53.5%	53.5%
Savings Banks	1,280	1,278	48,833	48,825	-948	649	647	2.6%	2.6%	74.2%	50.7%	50.6%
Other Austria	328	310	16,692	16,578	-296	127	127	2.0%	1.9%	95.3%	38.7%	40.9%
CEE	**1,964**	**1,963**	**66,779**	**66,294**	**-2,068**	**725**	**724**	**2.9%**	**3.0%**	**105.3%**	**36.9%**	**36.9%**
Czech Republic	532	532	29,179	29,147	-598	137	137	1.8%	1.8%	112.4%	25.8%	25.8%
Romania	400	399	8,823	8,822	-469	166	166	4.5%	4.5%	117.4%	41.6%	41.6%
Slovakia	406	406	14,940	14,940	-389	155	155	2.7%	2.7%	95.8%	38.1%	38.1%
Hungary	99	98	4,812	4,359	-148	59	58	2.1%	2.3%	151.2%	59.6%	59.5%
Croatia	508	508	7,355	7,355	-427	203	203	6.9%	6.9%	84.1%	40.0%	40.0%
Serbia	19	19	1,671	1,671	-36	4	4	1.2%	1.2%	187.0%	23.3%	23.3%
Other	**17**	**15**	**124**	**122**	**-16**	**7**	**5**	**13.7%**	**12.2%**	**110.7%**	**39.1%**	**30.3%**
Total	**4,043**	**4,020**	**167,369**	**166,750**	**-3,662**	**1,750**	**1,745**	**2.4%**	**2.4%**	**91.1%**	**43.3%**	**43.4%**
Dec 19												
Austria	**2,191**	**2,171**	**97,639**	**97,530**	**-1,367**	**1,128**	**1,126**	**2.2%**	**2.2%**	**63.0%**	**51.5%**	**51.9%**
EBOe & Subs	500	500	34,645	34,633	-290	286	286	1.4%	1.4%	58.0%	57.2%	57.3%
Savings Banks	1,349	1,347	47,823	47,814	-861	695	693	2.8%	2.8%	63.9%	51.5%	51.5%
Other Austria	341	323	15,172	15,084	-216	147	147	2.2%	2.1%	66.8%	43.0%	45.3%
CEE	**1,938**	**1,935**	**65,709**	**65,338**	**-1,794**	**713**	**712**	**2.9%**	**3.0%**	**92.7%**	**36.8%**	**36.8%**
Czech Republic	519	519	29,188	29,157	-500	124	124	1.8%	1.8%	96.3%	24.0%	24.0%
Romania	359	359	8,771	8,770	-417	138	138	4.1%	4.1%	116.3%	38.5%	38.5%
Slovakia	426	426	14,437	14,437	-344	169	169	3.0%	3.0%	80.8%	39.7%	39.7%
Hungary	124	122	4,831	4,491	-115	74	73	2.6%	2.7%	93.8%	59.8%	59.8%
Croatia	489	489	6,999	6,999	-390	203	203	7.0%	7.0%	79.7%	41.4%	41.4%
Serbia	20	20	1,482	1,482	-29	5	5	1.4%	1.4%	140.3%	22.9%	22.9%
Other	**13**	**11**	**69**	**66**	**-13**	**5**	**3**	**19.0%**	**16.8%**	**115.5%**	**40.4%**	**29.5%**
Total	**4,142**	**4,117**	**163,418**	**162,934**	**-3,174**	**1,847**	**1,842**	**2.5%**	**2.5%**	**77.1%**	**44.6%**	**44.7%**

Loans and advances to customers at AC and coverage by loan loss allowances by geographical segment and IFRS 9 treatment

in EUR million	Loans to customers				Allowances				Coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Jun 20											
Austria	**79,214**	**19,056**	**1,995**	**69**	**-138**	**-480**	**-957**	**-3**	**2.5%**	**48.0%**	**4.1%**
EBOe & Subs	28,811	5,664	451	6	-29	-108	-197	0	1.9%	43.6%	0.1%
Savings Banks	38,269	9,259	1,251	47	-88	-258	-599	-3	2.8%	47.9%	6.1%
Other AT	12,134	4,134	294	16	-20	-114	-161	0	2.8%	54.9%	0.0%
CEE	**56,307**	**7,902**	**1,781**	**304**	**-191**	**-542**	**-1,213**	**-122**	**6.9%**	**68.1%**	**40.0%**
Czech Republic	25,488	3,120	502	37	-61	-166	-351	-20	5.3%	69.9%	53.9%
Romania	6,866	1,520	368	70	-38	-145	-265	-21	9.5%	72.1%	30.6%
Slovakia	12,959	1,552	338	91	-27	-100	-209	-53	6.4%	61.9%	58.8%
Hungary	3,372	838	67	81	-11	-72	-49	-16	8.6%	72.9%	20.2%
Croatia	6,159	684	489	23	-44	-48	-326	-10	7.0%	66.6%	42.3%
Serbia	1,464	188	17	2	-9	-12	-14	-1	6.6%	79.9%	36.1%
Other	**89**	**16**	**17**	**0**	**0**	**0**	**-16**	**0**	**1.1%**	**95.2%**	**0.0%**
Total	**135,611**	**26,973**	**3,793**	**374**	**-328**	**-1,022**	**-2,187**	**-125**	**3.8%**	**57.7%**	**33.4%**
Dec 19											
Austria	**85,639**	**9,700**	**2,123**	**68**	**-130**	**-230**	**-1,004**	**-3**	**2.4%**	**47.3%**	**3.8%**
EBOe & Subs	31,130	3,001	496	6	-29	-55	-206	0	1.8%	41.5%	0.0%
Savings Banks	41,373	5,074	1,320	46	-86	-143	-629	-3	2.8%	47.7%	5.5%
Other AT	13,136	1,624	307	16	-16	-31	-169	0	1.9%	54.9%	0.0%
CEE	**59,415**	**3,875**	**1,701**	**347**	**-210**	**-290**	**-1,155**	**-138**	**7.5%**	**67.9%**	**39.8%**
Czech Republic	27,169	1,467	489	32	-68	-77	-335	-19	5.3%	68.4%	60.1%
Romania	7,102	1,272	300	97	-37	-122	-229	-29	9.6%	76.3%	29.9%
Slovakia	13,519	474	358	85	-35	-36	-220	-53	7.6%	61.6%	62.2%
Hungary	4,071	247	80	94	-13	-25	-55	-21	10.3%	69.4%	22.8%
Croatia	6,154	352	456	37	-48	-24	-303	-15	6.8%	66.4%	39.3%
Serbia	1,399	63	18	2	-9	-6	-13	-1	9.0%	73.6%	38.1%
Other	**50**	**3**	**13**	**0**	**0**	**0**	**-13**	**0**	**0.1%**	**96.6%**	**0.0%**
Total	**145,104**	**13,578**	**3,837**	**415**	**-341**	**-520**	**-2,172**	**-140**	**3.8%**	**56.6%**	**33.9%**

Loans and advances to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Jun 20						
Austria	**92,089**	**0**	**2,976**	**2,994**	**2,407**	**100,465**
Erste Bank Oesterreich & Subsidiaries	33,559	0	1,236	59	87	34,941
Savings Banks	45,802	0	1,701	51	1,278	48,833
Other Austria	12,727	0	39	2,883	1,042	16,692
Central and Eastern Europe	**29,620**	**36,709**	**25**	**359**	**67**	**66,779**
Czech Republic	4,448	24,415	0	266	50	29,179
Romania	3,142	5,614	0	67	0	8,823
Slovakia	14,919	0	0	6	15	14,940
Hungary	1,341	3,465	3	3	0	4,812
Croatia	4,494	2,825	21	14	1	7,355
Serbia	1,277	391	0	4	0	1,671
Other	**69**	**34**	**4**	**18**	**0**	**124**
Total	**121,778**	**36,743**	**3,004**	**3,371**	**2,474**	**167,369**
Dec 19						
Austria	**89,317**	**0**	**3,185**	**2,637**	**2,500**	**97,639**
Erste Bank Oesterreich & Subsidiaries	33,167	0	1,325	60	93	34,645
Savings Banks	44,643	0	1,809	87	1,284	47,823
Other Austria	11,507	0	51	2,490	1,124	15,172
Central and Eastern Europe	**28,261**	**37,042**	**28**	**289**	**90**	**65,709**
Czech Republic	3,822	25,155	0	151	60	29,188
Romania	3,192	5,471	0	108	0	8,771
Slovakia	14,391	0	0	16	30	14,437
Hungary	1,282	3,541	6	2	0	4,831
Croatia	4,426	2,544	22	7	0	6,999
Serbia	1,147	331	0	4	0	1,482
Other	**22**	**42**	**0**	**5**	**0**	**69**
Total	**117,599**	**37,084**	**3,214**	**2,931**	**2,590**	**163,418**

Market risk

The following table shows the value at risk of the trading book at the 99% confidence level using equally weighted market data and with a holding period of one day.

in EUR million	Dec 19	Jun 20
Interest	3.2	4.2
Currency	0.8	1.5
Shares	0.4	1.1
Commodity	0.1	0.1
Volatility	0.7	0.4
Total	**3.1**	**3.8**

The method used is subject to limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved. This restriction applies to the inclusion of credit spreads in the calculation of the VaR. Issuer specific spreads are applied to sovereign issuers, while sector specific spreads are applied to non-sovereign issuers.

Liquidity risk

Due to the favorable liquidity position and the usage of the TLTRO II and III programmes (Targeted Longer-Term Refinancing Operations) of the European Central Bank, Erste Group Bank AG has budgeted long term issuance for 2020 in the amount of EUR 4.0 billion. In the first six months of the year, Erste Group issued over EUR 2.3 billion (net of EUR 34 million buybacks), including three EUR benchmark transactions (EUR 500 million additional tier 1, EUR 750 million mortgage bond, EUR 750 million preferred senior bond). Also in the CEE entities, the liquidity situation remained stable and did not show any negative impacts due to the Covid-19 situation in the second quarter of 2020. On group level, Erste Group's total TLTRO participation amounted to EUR 9.9 billion.

Leverage ratio

The leverage ratio represents the relationship between core capital (tier 1) and the leverage exposure according to Article 429 Capital Requirements Regulation (CRR). Essentially, the leverage exposure represents the sum of unweighted on- and off-balance-sheet positions considering valuation and risk adjustments as defined within the CRR.

As of 30 June 2020, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.6%, comfortably above the 3.0% minimum requirement defined in Article 92 Capital Requirements Regulation (CRR). Tier 1 capital amounted to EUR 18.4 billion at the reference date, while total leverage exposure stood at EUR 279.0 billion.

The calculation and disclosure of the leverage ratio are based on the European Commission's delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015.

30. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 31.10% interest in Erste Group Bank AG. Privatstiftung is therefore the largest single investor in Erste Group Bank AG. At the end of the reporting period, Erste Group had, in relation to Privatstiftung, accounts payable of EUR 15.9 million (EUR 8.2 million) and no accounts receivable. At the end of the reporting period, Privatstiftung held bonds issued by Erste Group Bank AG in the amount of EUR 7.2 million (EUR 7.3 million). In the reporting period interest expenses amounted to EUR 0.1 million (EUR 0.3 million), resulting from the above mentioned accounts payable.

31. Contingent liabilities – legal proceedings

Since the annual report of 2019 there have not been any material changes in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank AG and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group.

32. Fair value of financial instruments

All financial instruments are measured at fair value on recurring basis.

Financial instruments carried at fair value

The measurement of fair value at Erste Group is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Financial instruments for which the fair value is determined on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid OTC bonds.

Description of valuation models and parameters

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently. In 2015, as a consequence of the negative interest environment, valuation models of interest rate options for the respective currencies were adjusted. Log-normal valuation models were replaced by standard market models which are based on a shifted log-normal distribution or a standard distribution. For such models negative interest rates are no restriction.

Loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these loans corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including risk premium required for non-market risk based part of the interest rate to be compliant with fair value definition. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread. The complex interest rate assets are valued by Monte Carlo simulation approach to include convexity correction and time value of embedded options.

Debt securities. For plain vanilla (fixed and floating rate) debt securities the fair value is calculated by discounting the future cash flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option-like features such as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash flow models and more sophisticated modeling techniques including methods described for OTC-derivatives.

Equity instruments. Non-trading equity instruments which have quoted market prices in an active market are valued by using the quoted market price. For other investments in non-trading equity instruments the fair value is determined by standard valuation models using also unobservable input parameters. These models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method. The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognized in an investee's statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting fair values of the recognized and unrecognized assets and liabilities should therefore represent the fair value of the investee's equity. The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the relevered beta and the country risk premium. The relevered beta is derived from the industry classification which is published and maintained by Damodaran. In rare cases, techniques for non-trading equity instruments may also include models based on multiples. The comparable company multiple method is a valuation technique within the market approach that uses prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined in line with similar instruments held as assets. Erste Group derives its own credit spread for the respective seniority class according to the principle of market opportunity cost and the cost of issuing primary benchmark bonds in the capital market. An important input factor for the spread levels are indications from external investment banks, which Erste Group receives on a regular basis. For every seniority of issued bonds with accounting treatment FVO, a specified valuation curve is applied. The spreads are validated on a regular basis from an independent Risk Management unit.

OTC-derivative financial instruments. Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes- and Hull-White-type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo simulation. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. For determining the fair value of derivatives secured in euro EONIA (Euro Over Night Index Average) is used as the discounting interest rate, since this index corresponds to the interest rate for cash collaterals. As a result of the IBOR reform it was decided that EONIA will be replaced by ESTER (Euro Short-Term Rate) with a transition phase until 31 December 2021. For existing derivatives the switch to the new interbank rate has to be renegotiated with all CSA contract partner on a bilateral basis. Erste Group expects that the major part of all bilateral contracts will be changed in the second half of 2020. The transition of all CSA's from EONIA to ESTER will change the discounting method as well. Any change in valuation caused by this transition shall be offsetted by a compensation payment.

Erste Group values derivatives at mid-market levels. To reflect the potential bid-ask-spread of the relevant positions an adjustment based on market liquidity is performed. The adjustment parameters depend on product type, currency, maturity and notional size. Parameters are reviewed on a regular basis or in case of significant market moves. Netting is not applied when determining the bid-ask-spread adjustments.

Credit value adjustments (CVA) for counterparty risk and debit value adjustments (DVA) for own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste Group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modeling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default by counterparties that are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles present in the central European market. Market based valuation concepts are incorporated for this. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste Group's issuances. Netting has only been considered for a few counterparties where the impact was material. In these cases, netting has been applied for both CVA and DVA. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

According to the described methodology the accumulated CVA-adjustments amounted to EUR 35.2 million (2019: EUR 15.7 million) and the total DVA-adjustment amounted to EUR 4.8 million (2019: EUR 2.8 million).

Validation and control

The responsibility for valuation of financial instruments measured at fair value is independent of the trading units. In addition, Erste Group has implemented an independent validation function in order to ensure separation between units responsible for model development, fair value measurement and validation. The aim of independent model validation is to evaluate model risks arising from the models' theoretical foundation, the appropriateness of input data (market data) and model calibration.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. More particular, the evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

These include exchange traded derivatives (futures, options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Leve 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

These include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO), own issues and deposits.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor on the basis of valuation models that rely entirely on observable market data. In these cases individual valuation parameters which are not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. For Level 3 valuations besides observable parameters typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters. Furthermore, internally calculated cost of equity and adjustments made on the equity (in the adjusted net asset value method) are unobservable parameters for the valuation of non-trading equity instruments.

These include shares, participations and funds not quoted, illiquid bonds as well as collateralized mortgage obligations (CMO) as well as loans. In addition, fund units issued by investment funds fully consolidated by Erste Group as well as own issues are reported in this category.

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be done if the financial instrument does no longer meet the criteria described above for the respective level.

Classification of financial instruments carried at fair value by levels of the fair value hierarchy

	Dec 19				Jun 20			
in EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets HfT	2,209	3,457	93	5,760	2,180	4,601	204	6,984
Derivatives	7	2,720	79	2,805	9	3,079	144	3,233
Other financial assets held for trading	2,202	737	14	2,954	2,170	1,522	60	3,752
Non-trading financial assets - FVPL	1,985	302	922	3,208	1,793	271	1,057	3,122
Equity instruments	55	5	330	390	39	4	331	374
Debt securities	1,929	297	109	2,335	1,754	267	107	2,129
Loans and advances	0	0	483	483	0	0	619	619
Financial assets FVOCI	7,745	845	457	9,047	7,463	1,013	406	8,883
Hedge accounting derivatives	0	129	1	130	0	269	1	270
Total assets	**11,939**	**4,733**	**1,473**	**18,144**	**11,436**	**6,155**	**1,668**	**19,259**
Liabilities								
Financial liabilities HfT	371	2,045	5	2,421	363	2,366	7	2,737
Derivatives	3	1,997	5	2,005	10	2,290	7	2,308
Other financial liabilities held for trading	368	48	0	416	353	76	0	429
Financial liabilities - FVPL	366	12,821	308	13,494	363	11,976	269	12,607
Deposits from customers	0	265	0	265	0	295	0	295
Debt securities issued	366	12,556	89	13,011	363	11,681	93	12,136
Other financial liabilities	0	0	219	219	0	0	177	177
Hedge accounting derivatives	0	269	0	269	0	209	0	209
Total liabilities	**736**	**15,135**	**313**	**16,185**	**726**	**14,551**	**276**	**15,553**

Derivatives transacted via clearing houses are presented after netting in compliance with their balance sheet treatment. The netted derivatives are allocated to Level 2.

The allocation of the appropriate level of positions is determined at the end of the reporting period.

Valuation process for financial instruments categorised as Level 3

The valuation of financial instruments categorized as Level 3 involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking for similar transactions, among others. This involves estimation and expert judgment.

Changes in volumes of Level 1 and Level 2

Changes in Level 1 and Level 2 volumes of financial instruments carried at fair value in the balance sheet

	Dec 19		Jun 20	
in EUR million	Level 1	Level 2	Level 1	Level 2
Securities				
Net transfer from Level 1		-60		256
Net transfer from Level 2	60		-256	
Net transfer from Level 3	3	146	0	-4
Purchases/sales/expiries	507	-670	-249	671
Changes in derivatives	4	-256	3	499
Total year-to-date change	**574**	**-840**	**-502**	**1,422**

Level 1-Movements. The total amount of Level 1 financial assets decreased by EUR 503 million compared to last year. The volume of Level 1 securities decreased by EUR 505 million. The main changes are caused by matured or sold assets in the amount of EUR 1,758 million and by new investments in the amount of EUR 1,177 million. Furthermore, the increase in volume for securities that were allocated to Level 1 at both reporting dates (2020 and 2019) amounted to EUR 289 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 1 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by other corporates (EUR 1 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 256 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by financial institutions (EUR 107 million), other corporates (EUR 77 million) as well as securities issued by governments (EUR 72 million). The remaining positive change in the amount of EUR 42 million was due to partial purchases and fair value changes of reclassified instruments. The volume of derivatives increased by EUR 2 million.

Level 2-Movements – Financial Assets The total value of Level 2 financial assets increased between 2020 and 2019 by EUR 1,422 million. The Level 2 fair value change of securi-ties and other receivables (up by EUR 923 million) can be explained for the most part by matured or sold positions in the amount of EUR 544 million and new investments in the amount of EUR 1,299 million. The decrease in volume for securities that have been allocated to Level 2 at both reporting dates 2020 and 2019 amounted to EUR 84 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 256 million was reclassified from Level 1 to Level 2 in 2020. This applies main-ly to securities issued by financial institutions (EUR 107 million), securities issued by other corporates (EUR 77 million) and governments (EUR 72 million). Securities in the amount of EUR 1 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 15 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 11 million was reclassified from Level 3 to Lev-el 2. The remaining increase in the amount of EUR 1 million was due to partial purchases and fair value changes of reclassified instruments. The increase on the asset side derivatives in Level 2 by EUR 499 million are caused by changes in market values and by netting effects.

Level 2-Movements – Financial Liabilities. The total Level 2 financial liabilities decreased by EUR 584 million. Whereas the fair value of derivatives increased by EUR 233 million, the portfolio of securities decreased by EUR 847 million. The fair value of client deposits increased by EUR 30 million.

Movements in Level 3 of financial instruments carried at fair value

Development of fair value of financial instruments in Level 3

in EUR million		Gain/loss in profit or loss	Gain/loss in other comprehensive income	Purchases	Sales	Settlements	Additions to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	
	Jan 20											**Jun 20**
Assets												
Financial assets HfT	93	26	0	44	0	-1	0	0	44	-1	-1	204
Derivatives	79	26	0	0	0	-1	0	0	42	-1	-1	144
Other financial assets held for trading	14	0	0	44	0	0	0	0	2	0	0	60
Non-trading financial assets at FVPL	922	-2	0	191	-5	-7	0	0	3	-11	-34	1,057
Equity instruments	330	3	0	3	-3	0	0	0	2	-1	-2	331
Debt securities	109	3	0	7	-1	-1	0	0	1	-8	-3	107
Loans and advances	483	-8	0	181	-1	-6	0	0	0	-1	-29	619
Financial assets FVOCI	457	0	-5	29	-76	-8	0	0	22	-9	-4	406
Hedge accounting derivatives	1	0	0	0	0	0	0	0	0	0	0	1
Total assets	**1,473**	**24**	**-5**	**265**	**-81**	**-16**	**0**	**0**	**68**	**-21**	**-39**	**1,668**
Liabilities												
Financial liabilities HfT	5	1	0	0	0	0	0	0	1	0	0	7
Derivatives	5	1	0	0	0	0	0	0	1	0	0	7
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	308	-3	-3	70	-62	-34	0	0	0	-6	0	269
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	89	1	-3	12	0	-1	0	0	0	-6	0	93
Other financial liabilities	219	-4	0	57	-62	-33	0	0	0	0	0	177
Total liabilities	**313**	**-2**	**-3**	**70**	**-62**	**-34**	**0**	**0**	**1**	**-6**	**0**	**276**
	Jan 19											**Jun 19**
Assets												
Financial assets HfT	80	33	0	20	-1	0	0	0	4	-19	0	118
Derivatives	61	34	0	2	0	0	0	0	4	-10	0	90
Other financial assets held for trading	19	0	0	18	-1	0	0	0	0	-9	0	27
Non-trading financial assets at FVPL	778	20	0	335	-10	-74	0	0	1	-154	-2	893
Financial assets at FVOCI	502	1	62	12	0	-5	0	0	82	-10	2	644
Total assets	**1,361**	**54**	**62**	**367**	**-11**	**-79**	**0**	**0**	**87**	**-184**	**-1**	**1,656**
Liabilities												
Financial liabilities HfT	14	1	0	0	0	0	0	0	0	0	0	14
Derivatives	14	1	0	0	0	0	0	0	0	0	0	14
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	561	19	0	75	-50	-2	0	-30	124	-96	0	600
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	96	7	0	34	0	-1	0	0	124	-96	0	164
Other financial liabilities	464	11	0	41	-50	-1	0	-30	0	0	0	436
Total liabilities	**574**	**20**	**0**	**75**	**-50**	**-2**	**0**	**-30**	**124**	**-96**	**0**	**614**

Level 3 movements. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. Based on the described analysis securities in the amount of EUR 15 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by other corporates (EUR 11 million), financial institutions (EUR 2 million) and governments (EUR 2 million). On the other hand securities in the amount of EUR 11 million were reclassified from Level 3 to Level 2. Thereof EUR 9 million are securities issued by financial institutions and EUR 2 million are securities issued by other corporates. Loans and advances which are measured at fair value under IFRS 9 increased by EUR 136 million. The additional change in Level 3 positions was on the one hand caused by an increase in derivative exposure of EUR 65 million and on the other hand by a decrease caused by the purchase, sale and market value change of securities in the amount of EUR 10 million.

Gains/losses in profit or loss on Level 3 instruments held at the end of the reporting period

in EUR million	1-6 19	1-6 20
Assets		
Financial assets HfT	33.6	31.9
Derivatives	33.5	32.2
Other financial assets held for trading	0.1	-0.2
Non-trading financial assets at FVPL	20.4	-2.0
Equity instruments	8.2	2.7
Debt securities	5.2	3.5
Loans and advances	7.0	-8.2
Financial assets at FVOCI	-0.1	0.4
Total	**53.9**	**30.4**

For financial liabilities measured at fair value in Level 3 a valuation of EUR 3.9 million (2019: EUR -6.7 million) was posted via income statement for the end of the reporting period.

The volume of Level 3 financial assets can be allocated to the following categories:

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- Illiquid bonds, shares and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- Loans which do not comply with the contractual cash flow criteria.

Unobservable inputs and sensitivity analysis for Level 3 measurements

In case the fair value measurement of a financial asset is retrieved from input parameters which are not observable in the market, those parameters can be retrieved from a range of alternative parameters. For the preparation of the balance sheet the parameters where chosen to reflect the market situation at the reporting date.

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Jun 20					
Positive fair value of derivatives	Forwards, swaps, options	143.7	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.22%-100% (4.78%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	4.9	Discounted cash flow	Credit Spread	0.77%-7.76% (3.84%)
	Loans	619.0	Discounted cash flow	PD	0.14%-5.80% (4.5%)
				LGD	55.92%-56.26% (56.10%)
Financial assets at FVOCI	Fixed and variable coupon bonds	109.0	Discounted cash flow	Credit Spread	0.54%-8.60% (4.47%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	206.4	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.90-0.95 Recreation 0.82 Real Estate (General/Diversified) 0.71-0.74 Real Estate (Operations/Services) 0.49 Financial Svcs. (Non-bank & Insurance) 0.93-1.10 Banks (Regional) 0.51
				Country risk premium	Croatia 4.45%, Austria 0.37%-0.50% Czech Republic 0.90% Romania 3.26%, Russia 3.26%, Slovakia 1.26%, Hungary 3.26% Resulting cost of equity based on above inputs: 4.19%-12.83%
		199.6	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		31.00	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dez 19					
Positive fair value of derivatives	Forwards, swaps, options	75.8	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.66%-100% (4.40%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	6.1	Discounted cash flow	Credit Spread	0.81%-6.21% (3.29%)
	Loans	483.4	Discounted cash flow	PD	0%-39.70% (0.81%)
				LGD	0%-79.30% (25.18%)
Financial assets at FVOCI	Fixed and variable coupon bonds	140.9	Discounted cash flow	Credit Spread	1.23%-7.27% (4.31%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	214.8	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.92-0.96 Recreation 0.93 Real Estate (General/Diversified) 0.75 Financial Services (Non-bank & Insurance) 0.93-1.02 Banks (Regional) 0.58
				Country risk premium	Croatia 2.79%, Austria 0.37%, Czech Republic 0.65%, Romania 2.04%, Russia 2.04%, Slovakia 0.79%, Spain 1.48% Resulting cost of equity based on above inputs: 6.32%-11.01%
		191.7	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		159.0	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

Equity instruments with a fair value in amount of EUR 86.02 million (2019: EUR 147.5 million) are assessed on the basis of expert opinions. For equity instruments other than participations classified as Level 3, the amount of EUR°96.4°million (2019: EUR°25.6°million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Fair value changes per product type using reasonably possible alternatives

	Dec 19		Jun 20	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	2.4	-3.2	5.8	-10.4
Income statement	2.4	-3.2	5.8	-10.4
Debt securities	11.6	-15.5	13.1	-17.4
Income statement	2.4	-3.2	2.6	-3.5
Other comprehensive income	9.2	-12.3	10.5	-13.9
Equity instruments	106.5	-67.6	107.5	-73.4
Income statement	62.7	-42.5	68.3	-49.7
Other comprehensive income	43.8	-25.1	39.2	-23.7
Loans	10.8	-29.7	11.8	-28.0
Income statement	10.8	-29.7	11.8	-28.0
Other comprehensive income	0.0	0.0	0.0	0.0
Total	**131.3**	**-116.0**	**138.2**	**-129.2**
Income statement	**78.3**	**-78.6**	**88.5**	**-91.6**
Other comprehensive income	**53.0**	**-37.4**	**49.7**	**-37.6**

Sensitivity analysis. In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding fair values. Positive correlation effects between PDs and LGDs were not taken into account in the sensitivity analysis. For non-trading equity instruments increases (decreases) in any of the inputs used for the cost of equity calculation in isolation would result in a lower (higher) fair value.

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:

- for debt securities range of credit spreads between +100 basis points and -75 basis points
- for equity related instruments the price range between -10% and +5%
- for unquoted equity instruments measured by the adjusted net asset value the price range between -10% and +10%
- for unquoted equity instruments measured by dividend discount model/simplified income approach the cost of equity range beween -2% and +2%
- for CVA on derivatives PDs rating upgrade/downgrade by one notch, as well as the change of LGD by -5% and +10%.
- for loans, the PDs rating upgrade/downgrade by 1%, the change of LGD by -5% and +10% and a range of credit spreads between +100 basis points and -75 basis points

Fair values of financial instruments for which fair value is disclosed in the notes

in EUR million	Dec 19 Carrying amount (balance sheet)	Dec 19 Fair value	Jun 20 Carrying amount (balance sheet)	Jun 20 Fair value
Assets				
Cash and cash balances	10,693	10,693	18,433	18,433
Financial assets at AC	204,162	208,412	214,464	221,513
Loans and advances to banks	23,055	23,072	27,418	27,469
Loans and advances to customers	154,344	157,342	157,749	163,137
Debt securities	26,764	27,998	29,298	30,907
Finance lease receivables	4,034	4,024	4,082	4,059
Assets held for sale	0	0	0	0
Trade and other receivables	1,408	1,412	1,287	1,279
Liabilities				
Financial liabilities at AC	204,143	204,392	222,321	222,542
Deposits from banks	13,141	13,337	21,984	21,994
Deposits from customers	173,066	172,948	182,376	182,474
Debt securities issued	17,360	17,531	17,295	17,412
Other financial liabilities	576	577	666	662
Financial guarantees and commitments				
Financial guarantees	n/a	82	n/a	29
Irrevocable commitments	n/a	357	n/a	337

In the table above, positive fair values of financial guarantees and commitments are shown with a positive sign whereas negative fair values are shown with a negative sign.

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of debt securities at amortised cost are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of deposits and other liabilities, measured at amortised cost, is estimated by taking into account the current interest rate environment, as well as the own credit spreads. These positions are assigned to the Level 3 category. For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Moreover optionality is taken into account when calculating the fair value.

For off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) the following fair value approaches are applied: the fair value of unused loan commitments is estimated using regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated total fair value and the notional amount of the hypothetical loan equivalents represents the fair value of the unused loan commitments. In case of the total fair value being higher than the notional amount of the hypothetical loan equivalents the unused loan commitments have a positive fair value. The fair value of financial guarantees is estimated in analogy to credit default swaps. The fair value of the guarantee is the sum of the present value of the protection leg and the present value of the premium leg. The value of the protection leg is estimated using the PDs and LGDs of the respective customers, whereas the value of the premium leg is estimated by the present value of the future fee payments to be received. If the protection leg is higher than the premium leg, financial guarantees have a negative fair value.

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

	1-6 19	1-6 20
Austria	**16,195**	**16,285**
Erste Group, EB Oesterreich and subsidiaries	9,060	9,173
Haftungsverbund savings banks	7,134	7,113
Outside Austria	**31,038**	**31,305**
Česká spořitelna Group	9,992	9,932
Banca Comercială Română Group	7,099	6,812
Slovenská sporiteľňa Group	4,071	4,043
Erste Bank Hungary Group	3,126	3,207
Erste Bank Croatia Group	3,252	3,307
Erste Bank Serbia Group	1,136	1,157
Savings banks subsidiaries	1,197	1,621
Other subsidiaries and foreign branch offices	1,164	1,226
Total	**47,233**	**47,590**

34. Own funds and capital requirements

Among others, Erste Group fulfils hereinafter the disclosure requirements according to the Capital Requirements Regulation (CRR), in detail Art. 437 para 1 (a), (d) and (e) CRR. References to chapters refer to the financial statement.

Regulatory scope of consolidation and institutional protection scheme

The consolidated regulatory capital and the consolidated regulatory capital requirements are calculated based on the scope of consolidation stipulated in the Capital Requirements Regulation (CRR). Based on Art. 4 para 1 (3), (16) to (27) CRR in line with Art. 18 and 19 CRR and para 30 of the Austrian Banking Act (ABA), the scope consists of credit institutions, investment firms, financial institutions and ancillary service undertakings. This definition differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities.

The Austrian savings banks are included as subsidiaries in Erste Group's regulatory scope of consolidation based on the cross-guarantee contract of the 'Haftungsverbund'. Furthermore, Erste Group Bank AG together with the savings banks forms an institutional protection scheme (IPS) according to Art. 113 (7) CRR. Disclosure requirements for the institutional protection scheme according to Art. 113 (7) e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to the CRR and the Capital Requirement Directive (CRD IV). The CRD IV was enacted in national law in the Austrian Banking Act (ABA).

Own funds

Own funds according to CRR consist of common equity tier 1 (CET1), additional tier 1 (AT1) and tier 2 (T2). In order to determine the capital ratios, each respective capital component – after application of all regulatory deductions and filters – is considered in relation to the total risk.

In addition to minimum capital ratios and capital buffer requirements, institutions also have to fulfil capital requirements determined in the Supervisory Review and Evaluation Process (SREP).

Capital buffer requirements are set out in sections 23 (capital conservation buffer), 23a (countercyclical buffer), 23b (Global Systemic Important Institution (G-SII) buffer), 23c (Other Systemic Important Institution (O-SII) buffer) and 23d (systemic risk buffer) of the ABA and further specified in the regulation of the Financial Market Authority (FMA) on the establishment and recognition of the countercyclical buffer rate in accordance with section 23a para 3 ABA, on the establishment of the systemic risk buffer in accordance with section 23d para 3 ABA as well as on the detailed definition of the bases of calculation in accordance with section 23a para 3 clause 1 ABA and section 24 para 2 ABA (capital buffers regulation). All capital buffers have to be met entirely with CET1 capital and relate, except the countercyclical buffer, to total risk.

Sections 23, 23a, 23b and 23c ABA as well as the capital buffers regulation entered into force on 1 January 2016. The capital buffers regulation was amended on 23 May 2016 to include requirements for O-SII buffers. As of the reporting date 31 March 2020, Erste Group has to fulfil the following capital buffer requirements.

According to section 23 para 1 ABA, Erste Group has to establish a capital conservation buffer in the amount of 2.5%.

According to section 23a ABA the capital buffer requirement for the countercyclical capital buffer is regulated in section 4 capital buffers regulation as follows

- The institution specific requirement for the countercyclical buffer in accordance with section 23a para 1 ABA results from the weighted average of the rates of the countercyclical capital buffer that apply in the jurisdictions where significant credit risk positions are situated in accordance with section 5 of the credit institution, multiplied by the total amount of risk in accordance with Art. 92 (3), of the Regulation (EU) no. 575/2013
- For the calculation of the weighted average according to para 1 capital buffer requirement, the countercyclical buffer quota for the national area as defined by the respective authority is multiplied by the result out of the comparison of the capital requirement related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.
- Starting from 1 January 2016 is for the purposes of section 23a para 3 clause 2 ABA the capital buffer rate for the home country allocated, significant credit risk positions is 0%.
- If the competent authority of another member state or a third country for the national legal area determines a rate of over 2.5% for the purposes of para 1 for significant credit risk positions in this legal area, a rate of 2.5% has to be applied.
- If the responsible third country authority establishes a national buffer rate, this rate is valid twelve months after the date on which the relevant third country authority has announced a change in the buffer rate.

According to section 23a ABA, a maximum countercyclical buffer of 2.5% is applied.

Erste Group is not obliged to establish a G-SII buffer in line with section 23b ABA. According to Section 7b of the capital buffers regulation, Erste Group has to establish an O-SII buffer under section 23c ABA in the amount of 2%. However, Erste Group is only required to hold the higher of the O-SII and the systemic risk buffer under section 23d ABA. As the size of the O-SII buffer as well as the transitional arrangements for its introduction are identical to the provisions for the systemic risk buffer as set out below, no additional buffer requirements arise for Erste Group.

With respect to the systemic risk buffer under section 23d ABA, the capital buffers regulation specifies:

- According to section 7 para 1 (2) capital buffers regulation, Erste Group has to establish a capital buffer for systemic vulnerability in the amount of 1%.
- According to section 7 para 2 (1) capital buffers regulation, Erste Group has to establish a capital buffer for the systemic concentration risk in the amount of 1%.

In accordance with section 10 capital buffers regulation the buffer rates for systemic vulnerability and for systemic concentration risk respectively amount to 2%.

As a result of the 2019 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a Pillar 2 requirement of 1.75% (P2R, valid as of 1 January 2020). In the wake of the current Covid-19 crisis, the ECB made an adjustment to the regulatory framework on 12 March 2020 to stabilize the financial markets. The originally envisaged relief for 2021 regarding the composition of capital for the Pillar 2 requirement under article 104a (4) CRD V can be applied directly by credit institutions under the supervision of the ECB. Therefore, the minimum CET1 ratio of 5.48% encompasses the Pillar 1 minimum requirement of 4.5% and the Pillar 2 requirement of 0.98% (56.25% of 1.75%) as of 30 June 2020.

In addition, Erste Group is subject to the combined buffer requirement consisting of the capital conservation buffer (2.5%), the institution specific countercyclical capital buffer (0.31%) and the systemic risk buffer (2.0%) requirements. Thus, overall Erste Group has to fulfill

- a CET1 requirement of 10.29%,
- a T1 requirement of 12.12% (+Pillar 1 AT1 requirement of 1.5% and 18.75% of 1.75% Pillar 2 requirement) and
- a total own funds requirement of 14.56% (+Pillar 1 T2 requirement of 2.0% and 25% of 1.75% Pillar 2 requirement).

Following the SREP, Erste Group is expected to meet a Pillar 2 Guidance (P2G) of 1.0% valid as of 1 January 2020. The ECB press release of 12 March 2020 also indicated that the Pillar 2 Guidance need not be fully complied with temporarily by credit institutions during the current corona crisis. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and capital buffers (not taking into account temporary adjustments)

	Dec 19	Jun 20
Pillar 1		
Minimum CET1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirements	8.00%	8.00%
Combined buffer requirement (CBR)	4.91%	4.81%
Capital conservation buffer	2.50%	2.50%
Institution-specific countercyclical capital buffer	0.41%	0.31%
Systemic risk buffer (SRB)	2.00%	2.00%
O-SII capital buffer	2.00%	2.00%
Pillar2		
Pillar 2 requirement (P2R)	1.75%	1.75%
Total CET1 requirement for Pillar 1 and Pillar 2	**11.16%**	**10.29%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**12.66%**	**12.12%**
Total Own Funds requirement for Pillar 1 and Pillar 2	**14.66%**	**14.56%**

The combined buffer requirement is the sum of the capital conservation buffer, the countercyclical capital buffer and the maximum of the O-SII capital buffer or the systemic risk buffer. The Pillar 2 requirement excludes the P2G.

As announced by the European Central Bank (ECB) in its press release on 12 March 2020[1], Erste Group is not obliged to fully comply with the capital conservation buffer of 2.5% during the current corona crisis. In the "Frequently Asked Questions - FAQs"[2] published on 20 March 2020, however, the ECB states that the incomplete fulfillment of the combined buffer requirement leads to restrictions on distributions and banks are only allowed to make distributions within the limits of the maximum distributable amount (MDA).

Taking into account ECB's communication on the temporary capital relief measures with regard to the Pillar 2 requirement, the full usage of the capital conservation buffer as well as the Pillar 2 guidance (P2G), Erste Group's CET1 requirement amounts to 7.79%, its T1 requirement amounts to 9.62% and its total own funds requirement amounts to 12.06%.

[1] https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200312~43351ac3ac.en.html

[2] https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200320_FAQs~a4ac38e3ef.en.html

Capital structure according to EU regulation 575/2013 (CRR)

in EUR million	Article pursuant to CRR	Dec 19 Phased-in	Dec 19 Final	Jun 20 Phased-in	Jun 20 Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,337	2,337	2,337	2,337
Retained earnings	26 (1) (c), 26 (2)	12,238	12,238	12,264	12,264
Interim profit	26 (2)	0	0	157	157
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-1,458	-1,458	-1,563	-1,563
Minority interest recognised in CET1	4 (1) (120) 84	4,448	4,448	4,800	4,800
Transitional adjustments due to additional minority interests	479, 480	0	0	0	0
Common equity tier 1 capital (CET1) before regulatory adjustments		**17,565**	**17,565**	**17,995**	**17,995**
Own CET1 instruments	36 (1) (f), 42	-68	-68	-65	-65
Prudential filter: cash flow hedge reserve	33 (1) (a)	45	45	-105	-105
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	406	406	191	191
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	-3	-3	-5	-5
Value adjustments due to the requirements for prudent valuation	34, 105	-85	-85	-82	-82
Regulatory adjustments relating to unrealised gains (0%)	468	0	0	0	0
Regulatory adjustments relating to unrealised losses (0%)	467	0	0	0	0
Securitisations with a risk weight of 1,250%	36 (1) (k)	-45	-45	-39	-39
Goodwill	4 (1) (113), 36 (1) (b), 37	-544	-544	-544	-544
Other intangible assets	4 (1)(115), 36 (1) (b), 37 (a)	-741	-741	-702	-702
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-102	-102	-95	-95
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-158	-158	0	0
Development of unaudited risk provisions during the year (EU No 183/2014)		-17	-17	-151	-151
Other transitional adjustments CET1	469 to 472, 478, 481	0	0	0	0
Goodwill (0%)		0	0	0	0
Other intangible assets (0%)		0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
Deferred tax assets allocated up to December 2013, that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (20%)		0	0	0	0
Deferred tax assets allocated on or after January 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (0%)		0	0	0	0
Own CET1 instruments (0%)	36 (1) (f)	0	0	0	0
Common equity tier 1 capital (CET1)	**50**	**16,252**	**16,252**	**16,398**	**16,398**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	1,490	1,490	1,987	1,987
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	8	8	7	7
Additional tier 1 capital (AT1) before regulatory adjustments		**1,498**	**1,498**	**1,995**	**1,995**
Own AT1 instruments	52 (1) (b), 56 (a), 57	-2	-2	-2	-2
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	0	0	0	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	0	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	0	0	0	0
Goodwill (0%)		0	0	0	0
Other intangible assets (0%)		0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
Own CET1 instruments (0%)	36 (1) (f)	0	0	0	0
Additional tier 1 capital (AT1)	**61**	**1,497**	**1,497**	**1,993**	**1,993**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**17,749**	**17,749**	**18,391**	**18,391**

The table will be continued on the subsequent page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 19 Phased-in	Dec 19 Final	Jun 20 Phased-in	Jun 20 Final
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**17,749**	**17,749**	**18,391**	**18,391**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	3,660	3,660	2,953	2,953
Instruments issued by subsidiaries recognised in T2	87, 88	267	267	239	239
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0	0	0	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0	0	0	0
IRB excess of provisions over expected losses eligible	62 (d)	328	328	457	457
Tier 2 capital (T2) before regulatory adjustments		**4,255**	**4,255**	**3,648**	**3,648**
Own T2 instruments	63 (b) (i), 66 (a), 67	-44	-44	-48	-48
Standardised approach general credit risk adjustments	62 (c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	0	0	0	0
Tier 2 capital (T2)	**71**	**4,211**	**4,211**	**3,600**	**3,600**
Total own funds	**4 (1) (118) and 72**	**21,961**	**21,961**	**21,992**	**21,992**
Capital requirement	**92 (3), 95, 96, 98**	**9,448**	**9,484**	**9,187**	**9,227**
CET1 capital ratio	**92 (2) (a)**	**13.8%**	**13.7%**	**14.3%**	**14.2%**
Tier 1 capital ratio	**92 (2) (b)**	**15.0%**	**15.0%**	**16.0%**	**15.9%**
Total capital ratio	**92 (2) (c)**	**18.6%**	**18.5%**	**19.2%**	**19.1%**

The capital structure table above is based on the Commission Implementing Regulation (EU) No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements, enlarged by the EBA GL 2014/14. Positions, which are not relevant for Erste Group are not disclosed. Figures shown under full implementation of Basel 3 considered the current CRR.

The approval of the new group-wide PD estimation methodology was approved by the ECB in December 2019 with a limitation related to an application of a RWA add-on in the volume of EUR 289 million as of December 2019. With the approval of the updated group wide default definition an additional add-on was imposed in the amount of EUR 138 million as of December 2019.

In order to mitigate the ramifications of the Covid-19 pandemic further, certain adjustments to the CRR and CRR II became effective on 27 June 2020 through EU Regulation No. 2020/873. The so-called CRR quick fix encompassed a revised supporting factor for loans to small and medium-sized enterprises (SMEs) which resulted in a credit RWA reduction of EUR -4.5 billion at Erste Group in June 2020. Furthermore, the temporary treatment of a 0% risk weight on public debt issued in the EEA currency of another EU member state lead to an additional RWA relief in the amount of EUR -1.0 billion for the exposure in standardized approach. As the temporary treatment of 0% risk weight is valid until 31 December 2022, fully loaded RWA as of June 2020 is calculated under IRB treatment for BCR Sovereign exposure as of 1 January 2023 and results in an credit RWA increase of EUR +0.5 billion.

Risk structure according to EU regulation 575/2013 (CRR)

in EUR million	Article pursuant to CRR	Dec 19 Total risk (phased-in)	Dec 19 Capital requirement (phased-in)	Jun 20 Total risk (phased-in)	Jun 20 Capital requirement (phased-in)
Total risk exposure amount	92 (3), 95, 96, 98	118,105	9,448	114,836	9,187
Risk-weighted assets (credit risk)	92 (3) (a) (f)	96,325	7,706	93,200	7,456
Standardised approach		18,007	1,441	17,078	1,366
IRB approach		78,318	6,265	76,121	6,090
Contribution to the default fund of a CCP		0	0	1	0
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	2,795	224	3,319	266
Operational risk	92 (3) (e) 92 (4) (b)	14,934	1,195	14,530	1,162
Exposure for CVA	92 (3) (d)	569	46	631	50
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	3,483	279	3,157	253

in EUR million	Article pursuant to CRR	Dec 19 Total risk (final)	Dec 19 Capital requirement (final)	Jun 20 Total risk (final)	Jun 20 Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	118,556	9,484	115,340	9,227
Risk-weighted assets (credit risk)	92 (3) (a) (f)	96,776	7,742	93,704	7,496
Standardised approach		18,458	1,477	17,078	1,366
IRB approach		78,318	6,265	76,625	6,130
Contribution to the default fund of a CCP		0	0	1	0
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	2,795	224	3,319	266
Operational risk	92 (3) (e) 92 (4) (b)	14,934	1,195	14,530	1,162
Exposure for CVA	92 (3) (d)	569	46	631	50
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	3,483	279	3,157	253

Own funds reconciliation

For the disclosure of own funds, Erste Group follows the requirements according to Art. 437 CRR as well as the requirements defined in the Implementing Technical Standards (EU) No 1423/2013. Furthermore Erste Group applies the EBA Guideline No 2014/14 of more frequents disclosure regarding own funds.

Based on the requirements defined by the EBA in the Implementing Technical Standards, the following information must be provided:

- A full reconciliation of CET1 items - additional tier 1 (AT1) items, tier 2 (T2) items, filters and deductions applied pursuant to Art. 32 to 35, 36, 56, 66 and 79 CRR- to the own funds of the institution's balance sheet in accordance with Art. 437 para 1 (a) CRR (see the following tables: Balance sheet, Total equity, Intangible assets, Tax assets and liabilities, Subordinated liabilities).
- A table designed by the EBA in order to show the capital structure of regulatory capital. The table includes details on the capital structure of Erste Group including the capital components as well as any regulatory deductions and prudential filters. Disclosures in this table cover the disclosure requirements as defined in Art. 437 para 1 (d) CRR, separate disclosure of the nature and amounts of each prudential filter applied pursuant to Art. 32 to 35 CRR, each deduction according to Art. 36, 56 and 66 CRR as well as items not deducted in accordance with Art. 47, 48, 56, 66 and 79 CRR.

The following tables show in line with Art. 437 para 1 (a) CRR the difference between the IFRS and the regulatory scope of consolidation and as well the reconciliation to the regulatory own funds.

The tables may contain rounding differences.

Balance Sheet reconciliation

in EUR million	Dec 19 IFRS	Dec 19 Effects - scope of consolidation	Dec 19 CRR	Jun 20 IFRS	Jun 20 Effects - scope of consolidation	Jun 20 CRR
Assets						
Cash and cash balances	10,693	-10	10,683	18,433	-20	18,413
Financial assets held for trading	5,760	-3	5,757	6,984	-2	6,982
Derivatives	2,805	2	2,807	3,233	2	3,234
Other financial assets held for trading	2,954	-5	2,949	3,752	-4	3,748
Pledged as collateral	430	0	430	271	0	271
Financial assets at fair value through profit or loss	0	0	0	0	0	0
Non-trading financial assets at fair value through profit or loss	3,208	-256	2,952	3,122	-215	2,907
Pledged as collateral	39	9	47	8	14	23
Equity instruments	390	-9	381	374	-10	364
Debt securities	2,335	-247	2,088	2,129	-205	1,924
Loans and advances to banks	0	0	0	0	0	0
Loans and advances to customers	483	0	483	619	0	619
Financial assets available for sale	0	0	0	0	0	0
Pledged as collateral	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	9,047	0	9,047	8,883	0	8,883
Pledged as collateral	603	0	603	283	0	283
Equity instruments	210	0	210	132	0	132
Debt securities	8,836	0	8,836	8,750	0	8,750
Financial assets held to maturity	0	0	0	0	0	0
Pledged as collateral	0	0	0	0	0	0
Loans and receivables to credit institutions	0	0	0	0	0	0
Loans and receivables to customers	0	0	0	0	0	0
Financial assets at amortised cost	204,162	522	204,684	214,464	518	214,982
Pledged as collateral	2,142	0	2,142	1,979	0	1,979
Debt securities	26,764	-1	26,763	29,298	-1	29,297
Loans and advances to banks	23,055	-1	23,054	27,418	-1	27,417
Loans and advances to customers	154,344	524	154,868	157,749	519	158,268
Finance lease receivables	4,034	-16	4,019	4,082	-31	4,051
Hedge accounting derivatives	130	0	130	270	0	270
Fair value changes of the hedged items in portfolio hedge	-4	0	-4	5	0	5
Property and equipment	2,629	-204	2,426	2,526	-172	2,355
Investment properties	1,266	-170	1,096	1,257	-164	1,093
Intangible assets	1,368	-11	1,358	1,331	-9	1,322
Investments in associates and joint ventures	163	273	436	166	272	438
Current tax assets	81	-1	80	135	0	135
Deferred tax assets	477	-2	475	467	-2	465
Assets held for sale	269	-122	146	260	-126	134
Trade and other receivables	1,408	-1	1,407	1,287	3	1,290
Other assets	1,001	-153	848	1,019	-151	868
Total assets	**245,693**	**-153**	**245,540**	**264,692**	**-100**	**264,592**
Liabilities and equity						
Financial liabilities held for trading	2,421	1	2,423	2,737	0	2,737
Derivatives	2,005	1	2,007	2,308	0	2,308
Other financial liabilities held for trading	416	0	416	429	0	429
Financial liabilities at fair value through profit or loss	13,494	-206	13,289	12,607	-163	12,444
Deposits from customers	265	0	265	295	0	295
Debt securities issued	13,011	13	13,024	12,136	13	12,149
Other financial liabilities	219	-219	0	177	-177	0
Financial liabilities at amortised cost	204,143	283	204,426	222,321	274	222,594
Deposits from banks	13,141	62	13,203	21,984	65	22,049
Deposits from customers	173,066	224	173,290	182,376	210	182,586
Debt securities issued	17,360	1	17,361	17,295	1	17,295
Other financial liabilities	576	-4	572	666	-2	664
Finance lease liabilities	515	4	520	521	5	526
Hedge accounting derivatives	269	0	269	209	0	209
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	0	0	0	0
Provisions	1,919	-4	1,915	2,033	1	2,034
Current tax liabilities	61	-5	55	62	-5	56
Deferred tax liabilities	18	-14	4	17	-14	2
Liabilities associated with assets held for sale	6	-2	4	7	-2	5
Other liabilities	2,369	-131	2,238	2,978	-117	2,861
Total equity	**20,477**	**-80**	**20,397**	**21,200**	**-77**	**21,123**
Equity attributable to non-controlling interests	4,857	17	4,874	4,922	5	4,928
Additional equity instruments	1,490	0	1,490	1,987	0	1,987
Equity attributable to owners of the parent	14,129	-97	14,033	14,291	-83	14,208
Subscribed capital	860	0	860	860	0	860
Additional paid-in capital	1,478	0	1,478	1,478	0	1,478
Retained earnings and other reserves	11,792	-97	11,695	11,953	-83	11,871
Total liabilities and equity	**245,693**	**-153**	**245,540**	**264,692**	**-100**	**264,592**

The following tables represent, as far as possible, a reconciliation between the IFRS balance sheet items to the items of CET1, AT1 and T2, as well as information on the regulatory adjustments arising from correction items in accordance with Art. 32 to 35 CRR and the deductions according to Art. 36, 56, 66 and 79 CRR.

The letter in the last column sets the derived amount from IFRS figures with the appropriate eligible amount of own funds presentation in conjunction.

Total equity

in EUR million	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 20							
Subscribed capital	860	0	860	0	0	860	
Additional paid-in capital	1,478	0	1,478	0	0	1,477	
Capital instruments and the related share premium accounts	2,337	0	2,337	0	0	2,337	a
Retained earnings	13,352	-78	13,274	0	-853	12,421	b
Accumulated other comprehensive income (OCI)	-1,398	-5	-1,403	-148	-11	-1,563	c
Cash flow hedge reserve	105	0	105	0	0	105	g
Available for sale reserve							
Fair value reserve	208	0	208	39	15	261	
Own credit risk reserve	-195	2	-193	3	0	-191	o
Currency translation reserve	-1,009	-7	-1,016	0	-22	-1,038	
Remeasurement of defined benefit plans	-507	1	-506	-190	-4	-700	
Deferred tax							
Equity attributable to owners of the parent	**14,291**	**-83**	**14,208**	**-148**	**-865**	**13,195**	
Additional equity instruments	1,987	0	1,987	0	-1,987	0	
Equity attributable to non-controlling interests	4,922	5	4,928	13	-141	4,800	d
Total equity	**21,200**	**-77**	**21,123**	**-135**	**-1,005**	**17,995**	

IPS adjustments include the amounts for entities that are consolidated due to the Institutional Protections Scheme according to Art. 113 (7) CRR. Further details regarding the development of IFRS equity are disclosed under section Group Statement of Changes in Total Equity.

Intangible assets

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 20						
Intangible assets	**1,331**	**-9**	**1,322**	**-75**	**1,247**	e

Deferred Taxes

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 20						
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	95	0	95	0	95	f
Related DTA allocated on or after Jan 14 for which 100% CET1 deduction is required	94	0	94	0	94	
Related DTA allocated up to Dec 13 for which 100% deduction from CET1 is required	1	0	1	0	1	
DTA that rely on future profitability and arise from temporary differences	372	-2	370	-370	0	
Deferred tax assets	**467**	**-2**	**465**	**-370**	**95**	

Based on the threshold definition according to Art. 48 CRR deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for Erste Group as of 30 June 2020. In accordance with Art. 48 para 4 CRR the non-deductible amount is risk weighted with 250% and considered within the credit risk.

Subordinated liabilities and additional tier 1 issuances

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Jun 20						
Subordinated issues, deposits and supplementary capital	5,892	2	5,893	-2,750	3,144	
Tier 2 capital instruments (including related share premium) issued by the parent company	0	0	0	0	2,905	l
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties	0	0	0	0	239	m
thereof instruments issued by subsidiaries subject to phase-out	0	0	0	0	0	
Additional Tier 1 (AT1) issuances	1,987	0	1,987	-2	1,993	j
Subordinated liabilities	**7,879**	**2**	**7,881**	**-2,751**	**5,137**	

Transitional provisions

The Transitional Provisions which are applied by Erste Group, are based on CRR-Supplementary Regulation according to BGBl II Nr. 425/2013, and the regulation of the European Central Bank on the exercise of options and discretions, ECB/2016/4. Starting 1 January 2019 the application of transitional provisions for regulatory deductions has expired.

Own funds template

Disclosure requirements: Art. 437 para 1 (d) and (e) CRR
Erste Group does not consider Art. 437 para 1 (f) CRR for the calculation of consolidated own funds.

The tables below present the composition of the regulatory capital based on the Implementing Technical Standards (EU) No 1423/2013 on the disclosure of own funds.

Shown are the current amount, references to the respective CRR articles and referenced to the above shown tables (equity, intangible assets, deferred tax assets and subordinated liabilities).

Within the own funds template of December 2019 positions 72, 73 and 75 are corrected as outlined in the table below. The respective table disclosing the threshold calculations according to Art. 46 and 48 CRR as of December 2019 in the annual report states the correct amounts.

72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	486	36(1)(h), 45, 46, 472(10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	281	36(1)(i), 45, 48, 470, 472(11)	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	373	36(1)(c), 38, 48, 470, 472(5)	

in EUR million		Jun 20	Regulation (EU) No 575/2013	Reference to tables
1	Capital instruments and the related share premium accounts	2,337	26(1), 27, 28, 29, EBA list 26(3)	a
	of which: ordinary shares	2,337	EBA list 26(3)	a
2	Retained earnings	12,421	261)(c)	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-1,563	26(1)	c
3a	Fund for general banking risk	0	26(1)(f)	
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	0	486(2)	
	Public sector capital injections grandfathered until Jan 18	0	483(2)	
5	Minority interests (amount allowed in consolidated CET1)	4,800	84, 479, 480	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26(2)	
6	**CET1 capital before regulatory adjustments**	**17,995**		
Common Equity Tier 1 (CET1): regulatory adjustments				
7	Additional value adjustments (negative amount)	-82	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-1,247	36(1)(b), 37, 472(4)	e
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	-95	36(1)(c), 38, 472(5)	f
11	Fair value reserves related to gains or losses on cash flow hedges	-105	33(a)	g
12	Negative amounts resulting from the calculation of expected loss amounts	0	36(1)(d),40, 159, 472(6)	
13	Any increase in equity that results from securitised assets (negative amount)	0	32(1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	186	33(b)	o
15	Defined-benefit pension fund assets (negative amount)	0	36(1)(e), 41, 472(7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-65	36(1)(f), 42, 472(8)	
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	36(1)(g), 44, 472(9)	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36(1)(h), 43, 45, 46, 49(2)(3), 79, 472(10)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	36(1)(i), 43, 45, 47, 48(1)(b), 49(1)-(3), 79, 470, 472(11)	
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-39	36(1)(k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36(1)(k)(i), 89-91	
20c	of which: securitisation positions (negative amount)	-39	36(1)(k)(ii), 243(1)(b), 244(1)(b), 258	
20d	of which: free deliveries (negative amount)	0	36(1)(k)(iii), 379(3)	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38(3) are met) (negative amount)	0	36(1)(c), 38, 48(1)(a), 470, 472(5)	
22	Amount exceeding the 15% threshold (negative amount)	0	48(1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	36(1)(i), 48(1)(b), 470, 472(11)	
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary differences	0	36(1)(c), 38, 48(1)(a), 470, 472(5)	
25a	Losses for the current financial year (negative amount)	-151	36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36(1)(l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0		
	of which: unrealised losses	0	467	
	of which: unrealised gains	0	468	
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36(1)(j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1,597		
29	**CET1 capital**	**16,398**		

The table is continued on the next page.

in EUR million		Jun 20	Regulation (EU) No 575/2013	Reference to tables
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	1,987	51, 52	
31	of which: classified as equity under applicable accounting standards	1,987		
32	of which: classified as liabilities under applicable accounting standards	0		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486(3)	
	Public sector capital injections grandfathered until Jan 18	0	483(3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	7	85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486(3)	
36	**AT1 capital before regulatory adjustments**	**1,995**		j
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-2	52(1)(b),56(a),57,475(2)	j
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	56(b), 58, 475(3)	
39	Holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56(c), 59, 60, 79, 475(4)	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	56(d), 59, 79, 475(4)	
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)	0		
41a	Residual amounts deducted from AT1 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
	of which: interim loss	0		
	of which: intangible assets	0		
	of which: shortfall of provisions to expected loss	0		
	of which: own CET1 Instruments	0		
41b	Residual amounts deducted from AT1 with regard to deduction from T2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477(3), 477(4)(a)	
	of which: reciprocal cross holdings in T2 instruments	0		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		
41c	Amount to be deducted from or added to AT1 with regard to additional filters and deductions required pre-CRR	0	467, 468, 481	
	of which: possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56(e)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-2**		
44	**Additional Tier 1 (AT1) capital**	**1,993**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**18,391**		
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	2,953	62, 63	l
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	486(4)	
	Public sector capital injections grandfathered until Jan 18	0		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	239		m
49	of which: instruments issued by subsidiaries subject to phase-out	0	486(4)	
50	Credit risk adjustments	457	62(c)(d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	**3,648**	**0**	
T2 capital: regulatory adjustments			**0**	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-48		l
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	0	66(c), 69, 70, 79, 477(4)	
54a	of which: new holdings not subject to transitional arrangements	0		
54b	of which: holdings existing before 1 Jan 2013 and subject to transitional arrangements	0		
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	0.0	66(d), 69, 79, 477(4)	

The table is continued on the next page.

in EUR million		Jun 20	Regulation (EU) No 575/2013	Reference to tables
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		
56a	Residual amounts deducted from T2 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	0	472, 472(3)(a), 472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
	of which: shortfall of provisions to expected loss	0	472(6)	
	of which: non-significant investments	0	472(10)	
56b	Residual amounts deducted from T2 with regard to deduction from AT1 during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475(2)(a), 475(3), 475(4)(a)	
	of which: reciprocal cross holdings in T1 instruments	0		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		
56c	Amounts to be deducted from or added to T2 with regard to additional filters and deductions required pre-CRR	0	467, 468, 481	
	of which possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-48**		
58	**Tier 2 (T2) capital**	**3,600**		
59	**Total capital (TC = T1 + T2)**	**21,992**		
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	472, 472(5), 472(8)(b), 472(10)(b), 472(11)(b)	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475(2)(b), 475(2)(c), 475(4)(b)	
	of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	0	477, 477(2)(b), 477(2)(c), 477(4)(b)	
60	**Total risk-weighted assets**	**114,836**		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	14.3%	92(2)(a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	16.0%	92(2)(b), 465	
63	Total capital (as a percentage of total risk exposure amount)	19.2%	92(2)(c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	4.81%	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	2.50%		
66	of which: countercyclical buffer requirement	0.31%		
67	of which: systemic risk buffer requirement	2.00%		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.00%	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	8.0%	CRD 128	
Amounts below the thresholds for deduction (before risk-weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	391	36(1)(h), 45, 46, 472(10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	266	36(1)(i), 45, 48, 470, 472(11)	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	370	36(1)(c), 38, 48, 470, 472(5)	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	213	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	457	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	457	62	
Capital instruments subject to phase-out arrangements (only applicable between Jan 2013 and Jan 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	20%	484(3), 486(2)&(5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484(3), 486(2)&(5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	20%	484(4), 486(3)&(5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484(4), 486(3)&(5)	
84	Current cap on T2 instruments subject to phase-out arrangements	20%	484(5), 486(4)&(5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484(5), 486(4)&(5)	

35. Events after the reporting date

There are no significant events after the balance sheet date.

Statement of all Legal Representatives

We confirm to the best of our knowledge that the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

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, 31 July 2020

Abbreviations

ABA	Austrian Banking Act
AC	Amortized cost
AFS	Available for sale
ALM	Asset Liability Management
AT1	Additional Tier 1
BCR	Banca Comercială Romănlă S.A.
ALM & LCC	Asset/LiabiltyManagement & Local Corporate Center
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSAS	Česká spořitelna, a.s.
CVA	Credit Value Adjustments
EBA	European Banking Authority
EBC	Erste Bank Croatia
EBH	Erste Bank Hungary Zrt.
EBOe	Erste Bank Oesterreich
EBOe & Subs	Erste Bank Oesterreich and Subsidiaries
ECL	Expected Credit Loss
EIR	Effective interest rate
EU	European Union
FVO	Fair value option-designated at fair value
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
G-SII	Global Systemic Important Institution
HFT	Held for trading
HTM	Held to maturity
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LGD	Loss Given Default
L&R	Loans and receivables
MDA	Maximum distributable amount
NPL	Non-performing loans
OCI	Other comprehensive income
O-SII	Other Systemic Important Institution
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
P&L	Profit or loss
PD	Probability of Default
POCI	Purchased or originated credit impaired
RTS	Regulatory Technical Standards
RW	Risk weight
RWA	Risk Weighted Assets
SICR	Significant increase in credit risk
SLSP	Slovenská sporiteľňa
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
T1	Tier 1
T2	Tier 2
VAR	Value at Risk

Note regarding forward-looking statements

This report contains forward-looking statements. These statements are based on current estimates, assumptions and projections of Erste Group Bank AG and currently available public information. They are not guarantees of future performance and involve certain known and yet unknown risks and uncertainties and are based upon assumptions as to future events that may not prove to be accurate. Many factors could cause the actual results or performance to be materially different from those that may be expressed or implied by such statements. Erste Group Bank AG does not assume any obligation to update the forward-looking statements contained in this report.

Shareholder Events

2 November 2020	Results for the first three quarters of 2020
10 November 2020	Annual General Meeting

The financial calendar is subject to change. The latest updated version is available on Erste Group's website:

www.erstegroup.com/investorrelations

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Ticker Symbols

Reuters:	ERST.VI
Bloomberg:	EBS AV
Datastream:	O:ERS
ISIN:	AT0000652011