Interim Report

First Quarter 2020

ERSTE Group

Key financial data

Income statement					
in EUR million	**Q1 19**	**Q4 19**	**Q1 20**	**1-3 19**	**1-3 20**
Net interest income	1,160.9	1,229.5	1,229.0	1,160.9	1,229.0
Net fee and commission income	487.7	515.9	504.2	487.7	504.2
Net trading result and gains/losses from financial instruments at FVPL	76.2	63.9	-119.9	76.2	-119.9
Operating income	1,771.7	1,861.8	1,663.0	1,771.7	1,663.0
Operating expenses	-1,115.6	-1,122.4	-1,111.2	-1,115.6	-1,111.2
Operating result	**656.0**	**739.4**	**551.7**	**656.0**	**551.7**
Impairment result from financial instruments	35.8	-82.1	-61.7	35.8	-61.7
Post-provision operating result	**691.8**	**657.3**	**490.0**	**691.8**	**490.0**
Other operating result	-131.1	-230.9	-127.6	-131.1	-127.6
Levies on banking activities	-38.8	-37.1	-49.9	-38.8	-49.9
Pre-tax result from continuing operations	561.8	433.2	361.3	561.8	361.3
Taxes on income	-95.5	-67.8	-103.0	-95.5	-103.0
Net result for the period	**466.3**	**365.4**	**258.3**	**466.3**	**258.3**
Net result attributable to non-controlling interests	89.3	118.2	23.0	89.3	23.0
Net result attributable to owners of the parent	**377.0**	**247.2**	**235.3**	**377.0**	**235.3**
Earnings per share	0.88	0.45	0.55	0.88	0.55
Return on equity	11.1%	5.5%	6.6%	11.1%	6.6%
Net interest margin (on average interest-bearing assets)	2.18%	2.20%	2.18%	2.18%	2.18%
Cost/income ratio	63.0%	60.3%	66.8%	63.0%	66.8%
Provisioning ratio (on average gross customer loans)	-0.09%	0.20%	0.15%	-0.09%	0.15%
Tax rate	17.0%	15.7%	28.5%	17.0%	28.5%

Balance sheet					
in EUR million	**Mar 19**	**Dec 19**	**Mar 20**	**Dec 19**	**Mar 20**
Cash and cash balances	16,382	10,693	23,031	10,693	23,031
Trading, financial assets	45,191	44,295	46,970	44,295	46,970
Loans and advances to banks	22,741	23,055	24,264	23,055	24,264
Loans and advances to customers	151,957	160,270	161,119	160,270	161,119
Intangible assets	1,489	1,368	1,322	1,368	1,322
Miscellaneous assets	5,946	6,012	6,193	6,012	6,193
Total assets	**243,706**	**245,693**	**262,898**	**245,693**	**262,898**
Financial liabilities held for trading	2,277	2,421	3,322	2,421	3,322
Deposits from banks	20,295	13,141	20,703	13,141	20,703
Deposits from customers	166,216	173,846	182,211	173,846	182,211
Debt securities issued	28,670	30,371	29,413	30,371	29,413
Miscellaneous liabilities	6,492	5,437	6,196	5,437	6,196
Total equity	19,754	20,477	21,053	20,477	21,053
Total liabilities and equity	**243,706**	**245,693**	**262,898**	**245,693**	**262,898**
Loan/deposit ratio	91.4%	92.2%	88.4%	92.2%	88.4%
NPL ratio	3.0%	2.5%	2.4%	2.5%	2.4%
NPL coverage ratio (based on AC loans, ex collateral)	74.5%	77.1%	80.9%	77.1%	80.9%
CET1 ratio (final)	13.2%	13.7%	13.1%	13.7%	13.1%

Ratings	**Mar 19**	**Dec 19**	**Mar 20**
Fitch			
Long-term	A	A	A
Short-term	F1	F1	F1
Outlook	Stable	Stable	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	Positive

Letter from the CEO

Dear shareholders,

these are extraordinary times. We are faced with a situation that Austria, our CEE region – even the world as we know it – have never experienced before. These are times, though, that make me as CEO proud – proud of what our employees are currently achieving together, working from home, from their offices and in the branches; proud that we are doing the right thing, that we believe in our region and the people and businesses in our core markets. Right from the beginning we have been committed to what is most important: being a reliable financial partner for our customers at a time that is extremely challenging for many of them. They need our solidarity, our flexibility and our fast response. Our local banks in Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia are currently providing a key service in implementing support measures at the national and local levels. Many people are currently doing an outstanding job in the bank's crisis management as well as in its day-to-day business operations while working together to shape our post-crisis future.

Only a few months ago, on the occasion of our 9th Capital Markets Day, my management team and I painted a bright picture of Erste Group's development in the years ahead. Management board members of local subsidiaries in our seven core markets impressively highlighted how our region – CEE – had changed over the past 10 years since the financial crisis: significantly stronger economies with low unemployment rates and rising real wages, years of sustained healthy growth at rates above the euro zone average, solid government finances with very low debt levels compared to other European countries. In this environment, our banks had also developed significantly and into strong local banks holding solid market shares, with high equity ratios, funded by customer deposits and local issuances; banks with healthy growth in local currency lending, well positioned to serve our customers as a reliable asset management partner and to support the economic convergence of the CEE region.

Erste Group had a good start to the financial year 2020 as a banking group with a strong capital base, a business model with a proven track record spanning 200 years, a clear digitalisation strategy, our successful pan-European digital platform George, strong subsidiaries in Europe's growth region and last, but not least, a healthy and well-balanced loan portfolio and an excellent liquidity position.

In recent weeks, the economic environment has changed drastically, though. In our core markets, governments have implemented sweeping measures to stop the expected spreading of the coronavirus and prevent it from overwhelming health services by imposing far-reaching and abrupt lockdowns of public life and economic activities. This has resulted in significant economic turmoil and sent financial markets plummeting. To mitigate the partly dramatic negative consequences, all governments have adopted comprehensive relief programmes ranging from debt moratoria for bank loans, guarantees and bridge financing, short-time work schemes and tax deferrals to direct payouts. In the core markets of Erste Group, these currently amount to up to 21% of the respective GDPs. 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 approach to the application of financial reporting standards.

Despite these relief measures, most experts currently expect that we are about to slip into the biggest recession since World War II. This will also have an impact on our core markets and Erste Group's profitability. While quantifying the drop in profitability is a very challenging task given the ongoing lack of predictability of events, we must expect that in 2020 our operating income and hence also the operating result will decline, risk costs for customers loans will rise and the net result will ultimately go down.

The containment of the coronavirus and a speedy return to social and economic normalcy and thus an economic recovery are challenges at the global, regional and national levels alike. Pragmatism, well-informed decisions and co-ordination of all parties involved are critical to achieving this goal. We are seeking close collaboration with governments, central banks, other international financial institutions and relevant stakeholder groups to ensure that our customers – private individuals, free professionals, large and small enterprises – will receive the support they need as swiftly and effectively as possible to cushion the impacts of the lockdown measures in the short run and to secure their economic success in the long run.

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 the stock markets had started into the year confidently, supported by the easing of the trade conflict between the US and China and the resulting positive assessments of global economic growth and corporate earnings by economic research institutes, the spread of the coronavirus lead to a historic drop in stock prices.

Most of the stock markets covered ended the past quarter on losses of more than 20% after some had still been hitting new highs up to mid-February. The global sell-off was triggered by fears of a global economic downturn of an incalculable magnitude resulting from the social and economic restrictions imposed to slow the spreading of the coronavirus. In addition, the development was adversely affected by the collapse of the oil price, which fell to its lowest level since 2004 amid an expected fall in demand. At the end of the quarter, the US indices were down 23.2% (Dow Jones Industrial Index at 21,917.16 points) and 20.0% (Standard & Poor's 500 Index at 2,584.59 points) from their year-end 2019 levels. The broader European Euro Stoxx 600 Index closed the reporting period at 320.06 points, down 23.0%. The Austrian Traded Index (ATX) plunged more sharply than the other European and international indices covered. The ATX lost 27% of its market capitalisation within just one trading week in mid-March and declined by 37.2% to 2,001.60 points as of the end of March). Banks were among the hardest hit sectors due to the expected deterioration of asset quality and rising risk costs resulting from a global economic slowdown. At the end of the quarter, the Euro Stoxx Banks Index, which is composed of the leading European bank shares, was 43.8% lower at 54.34 points than at the beginning of the year.

To slow down the COVID-19 pandemic, most countries have taken restrictive measures such as stay-at-home orders and business lock-downs, which have been massively affecting both social and economic activities. Policy-makers, central banks and regulators have responded by taking action, including multi-billion aid programmes providing social and economic support, rate cuts and loan repayment moratoria to cushion the negative impacts on the economy going forward.

SHARE PERFORMANCE

After the positive feedback of market participants to the fourth quarter 2019 results released in late February, the focus of analysts and investors quickly shifted to the coronavirus and its impacts on the banking sector. In response to calls from the European Central Bank (ECB) and the Austrian Financial Market Authority (FMA), Erste Group announced the postponement of its annual general meeting and a review of the dividend proposal for the year 2019. In view of the significant deterioration of the economic environment caused by the coronavirus, the Erste Group management board decided to suspend its outlook on the financial year 2020. As markets were crashing world-wide, the price of the Erste Group share also halved in the first quarter from EUR 35 in February 2020. The Erste Group share closed the first quarter down 49.7% at EUR 16.885.

The Erste Group share is traded on the stock exchanges of Vienna, Prague and Bucharest. In the first quarter of 2020, trading volume on these stock exchanges averaged 1,222,912 shares per day and accounted for about 68% of total trading volume in Erste Group shares.

FUNDING AND INVESTOR RELATIONS

On the issue side, the current financial year began with the successful placement of a 10-year mortgage Pfandbrief in the amount of EUR 750m at MS+3bp, a minimal new issue premium compared to outstanding Pfandbriefe. The above-average positive market environment at the beginning of the year – before the COVID-19 developments crisis led to increased volatility – prompted Erste Group to move a planned AT1 issue into the first quarter of 2020. A EUR 500m perpNC7 AT1 bond was placed with a coupon of 3.375%, which is currently the second lowest for a euro denominated AT1 issue.

After the banking and investor conferences in January organised by Kepler Cheuvreux and the Vienna Stock Exchange in January, the outbreak of the COVID-19 pandemic greatly reduced the number of face-to-face meetings attended by Erste Group's Investor Relations in the first quarter of 2020. Investor conferences such as the Erste Group management's spring road show were cancelled. Instead, the management and the investor relations team of Erste Group conducted a large number of one-on-one and group teleconference meetings, in which questions raised by investors and analysts were answered.

Interim management report

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

EARNINGS PERFORMANCE IN BRIEF

Net interest income increased – mainly in the Czech Republic and Austria, but also in Romania – to EUR 1,229.0 million (+5.9%; EUR 1,160.9 million). **Net fee and commission income** rose to EUR 504.2 million (+3.4%; EUR 487.7 million), primarily on the back of increased fees from securities business but also from asset management and insurance brokerage. While **net trading result** declined significantly to EUR -157.4 million (EUR 153.3 million), the line item **gains/losses from financial instruments measured at fair value through profit or loss** was up at EUR 37.5 million (EUR -77.1 million), both line items being impacted by valuation effects due to increased market volatility amid the COVID-19 outbreak. **Operating income** decreased to EUR 1,633.0 million (-6.1%; EUR 1,771.7 million). **General administrative expenses** slightly declined to EUR 1,111.2 million (-0.4%; EUR 1,115.6 million) as personnel expenses rose to EUR 630.0 million (+1.3%; EUR 621.9 million) while other administrative expenses came in lower at EUR 344.8 million (-3.8%; EUR 358.3 million). Other administrative expenses already included almost all payments into deposit insurance schemes expected in 2020 in the amount of EUR 88.3 million (EUR 87.5 million). Amortisation and depreciation amounted to EUR 136.5 million (EUR 135.4 million). Overall, the **operating result** declined to EUR 551.7 million (-15.9%; EUR 656.0 million). The **cost/income ratio** rose to 66.8% (63.0%).

Due to net allocations, the **impairment result from financial instruments** amounted to EUR -61.7 million or 15 basis points of average gross customer loans (net releases of EUR 35.8 million or -9 basis points). Allocations to provisions for loans as well as for commitments and guarantees given rose mainly in Austria and in the Czech Republic, while a positive contribution was recorded from the recovery of loans already written off in Romania. Allocations to provisions in the first quarter of 2020 related to COVID-19 were so far minor and primarily based on expert estimates but did not yet include any allocations for the expected deterioration in the macroeconomic outlook. The **NPL ratio** based on gross customer loans improved further to 2.4% (2.5%). The **NPL coverage ratio** increased to 80.9% (77.1%).

Other operating result amounted to EUR -127.6 million (EUR -131.1 million). The expenses for the annual contributions to resolution funds included in this line item rose – in particular in the Czech Republic and in Slovakia – to EUR 84.0 million (EUR 78.0 million). The rise in banking and transaction taxes to EUR 49.9 million (EUR 38.8 million) is primarily attributable to the doubling of banking levies in Slovakia to EUR 16.9 million (EUR 8.0 million) as the change in the law adopted in 2019 took effect as of 1 January 2020. Hungarian banking tax for the financial year 2020 amounted to EUR 14.2 million (EUR 12.5 million).

Due to one-off effects in Romania, taxes on income increased to EUR 103.0 million (EUR 95.5 million). The minority charge declined to EUR 23.0 million (EUR 89.3 million) due to significantly lower earnings contributions of the savings banks. The **net result attributable to owners of the parent** amounted to EUR 235.3 million (-37.6%; EUR 377.0 million).

Total equity not including AT1 instruments rose to EUR 19.1 billion (EUR 19.0 billion). After regulatory deductions and filtering in accordance with the CRR, **common equity tier 1 capital** (CET1, final) amounted to EUR 15.8 billion (EUR 16.3 billion), total **own funds** (final) to EUR 21.3 billion (EUR 22.0 billion). While first-quarter profit is not included, risk costs are deducted. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR, final) – rose to EUR 120.5 billion (EUR 118.6 billion). The **common equity tier 1 ratio** (CET1, final) stood at 13.1% (13.7%), the **total capital ratio** at 17.7% (18.5%).

Total assets rose to EUR 262.9 billion (EUR 245.7 billion). On the asset side, cash and cash balances increased to EUR 23.0 billion (EUR 10.7 billion), while loans and advances to credit institutions increased to EUR 24.3 billion (EUR 23.1 billion). **Loans and advances to customers** rose to EUR 161.1 billion (+0.5%; EUR 160.3 billion). On the liability side, deposits from banks increased to EUR 20.7 billion (EUR 13.1 billion) and **customer deposits** grew again – most notably in the Czech Republic and in Austria – to EUR 182.2 billion (+4.8%; EUR 173.8 billion). The **loan-to-deposit ratio** stood at 88.4% (92.2%).

OUTLOOK

Since publishing of the Q4 19 and FY2019 financial results on 28 February 2020 the global economic outlook has deteriorated significantly. Economic performance is a fundamental driver of Erste Group's financial performance, consequently this development is expected to lead to a material, but as yet unquantifiable, deterioration in the bank's profitability in 2020. Both, the macroeconomic downturn and lower profitability, are a direct result of governments worldwide opting for social and economic lockdown strategies of varying degrees in an effort to contain the spreading of the coronavirus. This containment strategy served the primary purpose of flattening the expected load curve on the health system, while causing significant and tangible collateral damage, such as lower economic activity, surging unemployment and a significant decline in global stock markets. In order to mitigate collateral damage, governments, central banks and regulators have implemented a number of measures, such as: loan moratoria, loan guarantees, direct payments to affected industries and consumers, tax and social security contribution breaks or deferrals, labour market support measures, e.g. short-term work schemes, liquidity injections, relaxation of collateral requirements, rate cuts, quantitative easing through government and corporate bond purchases, relaxation of capital requirements; and, pragmatism on IFRS9 staging in the wake of loan moratoria and loan guarantees.

Despite all of this and first tentative attempts to slowly exit all-encompassing lockdowns in countries such as the Czech Republic and Austria, global real GDP in 2020 is expected to plunge the most since World War II. In the context of Austria and Central and Eastern Europe, the current expectation is for a real GDP decline between 4.2% and 7.5% in 2020, with all corresponding negative effects on individual P&L line items, asset quality and capital. In concrete terms, net interest income is expected to decline in 2020 due to a combination of significant rate cuts in the Czech Republic, Romania and Serbia, a changed business mix on the back of lower margin state guaranteed business, and negative FX effects. Fee income is expected to suffer primarily from weaker economic activity, translating into lower payment transfer fees, and materially lower fees from securities business. A decline of the net trading and fair value result was already expected even prior to the emergence of the coronavirus, on the back of strong valuation gains in 2019. Overall, operating income is likely to decline in 2020. Operating expenses, at the start of the year expected to increase in 2020, will likely decline as lower travel expenses, efficiency savings and positive FX effects will support such a development. Nonetheless, operating result is expected to retreat in 2020 compared to 2019 levels; the cost/income ratio will deteriorate. The wildcard for 2020 and beyond is risk costs. As a matter of policy Erste Group's management will aim to frontload as much risk costs as is justifiable based on macroeconomic data and forecasts, development of company ratings as well retail portfolio assessment into 2020. Accordingly, a significant rise in risk costs is expected in 2020. Based on the currently most probable scenario that assumes a 6-month V-shape recovery risk costs for 2020 are estimated at 50-80 basis points of average gross customer loans. Barring any goodwill write-downs, other operating result is expected to improve in 2020, as 2019 was burdened by significant one-off effects. The tax ratio will almost certainly rise as profitability in low tax countries is expected to decline. The minority charge will decline as profitability at the savings banks is expected to drop. Overall, a significant drop in net profit is expected in 2020.

Erste Group has set aside EUR 1.5 per share as a potential dividend payment for 2019. At the end of March 2020, Erste Group announced to postpone the AGM and the final dividend decision to Q4 2020 in order to be in a position to take a more informed, fact-based decision as relates to the economic consequences of the coronavirus outbreak. It is the firm intention of the management of Erste Group to pay a dividend for 2019, the magnitude of which will be primarily determined by economic realities prevailing at the time. The final decision will also carefully balance regulatory advice with the imperative of maintaining investor confidence in Erste Group specifically and capital markets in general, as well as aiming to ensure the equitable treatment of all asset classes.

PERFORMANCE IN DETAIL

in EUR million	1-3 19	1-3 20	Change
Net interest income	1,160.9	1,229.0	5.9%
Net fee and commission income	487.7	504.2	3.4%
Net trading result and gains/losses from financial instruments at FVPL	76.2	-119.9	n/a
Operating income	1,771.7	1,663.0	-6.1%
Operating expenses	-1,115.6	-1,111.2	-0.4%
Operating result	**656.0**	**551.7**	**-15.9%**
Impairment result from financial instruments	35.8	-61.7	n/a
Other operating result	-131.1	-127.6	-2.7%
Levies on banking activities	-38.8	-49.9	28.5%
Pre-tax result from continuing operations	**561.8**	**361.3**	**-35.7%**
Taxes on income	-95.5	-103.0	7.8%
Net result for the period	**466.3**	**258.3**	**-44.6%**
Net result attributable to non-controlling interests	89.3	23.0	-74.2%
Net result attributable to owners of the parent	**377.0**	**235.3**	**-37.6%**

Net interest income

Net interest income rose to EUR 1,229.0 million (EUR 1,160.9 million). A significant increase was recorded in the Czech Republic, supported by a continued benign interest rate environment. Higher net interest income was also posted in Austria and Romania on the back of lending growth. The net interest margin (net interest income as a percentage of average interest-bearing assets) was stable at 2.18% (2.18%).

Net fee and commission income

Net fee and commission income increased to EUR 504.2 million (EUR 487.7 million). Growth – primarily in Austria – was driven mainly by the securities business and asset management. In Slovakia, income from brokerage commissions was up significantly.

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 the development of market interest rates, net trading result decreased significantly to EUR -157.4 million (EUR 153.3 million). On the other hand, gains/losses from financial instruments measured at fair value through profit or loss rose to EUR 37.5 million (EUR -77.1 million). While gains from the valuation of debt securities in issue driven by the development of interest rates were up, substantial negative valuation effects were recorded in the securities portfolio, most notably at the savings banks in Austria.

General administrative expenses

in EUR million	1-3 19	1-3 20	Change
Personnel expenses	621.9	630.0	1.3%
Other administrative expenses	358.3	344.8	-3.8%
Depreciation and amortisation	135.4	136.5	0.8%
General administrative expenses	**1,115.6**	**1,111.2**	**-0.4%**

General administrative expenses amounted to EUR 1,111.2 million (EUR 1,115.6 million). **Personnel expenses** increased marginally across all core markets to EUR 630.0 million (EUR 621.9 million). **Other administrative expenses** declined to EUR 344.8 million (EUR 358.3 million). Contributions to deposit insurance systems – except for Croatia and Serbia already for the full year – were largely unchanged at EUR 88.3 million (EUR 87.5 million). In Austria, contributions increased strongly to EUR 62.2 million (EUR 51.6 million), while they declined in Romania to EUR 4.4 million (EUR 12.7 million). **Depreciation and amortisation** amounted to EUR 136.5 million (EUR 135.4 million).

Headcount as of end of the period

	Dec 19	Mar 20	Change
Austria	**16,313**	**16,341**	**0.2%**
Erste Group, EB Oesterreich and subsidiaries	9,153	9,216	0.7%
Haftungsverbund savings banks	7,160	7,126	-0.5%
Outside Austria	**30,971**	**31,173**	**0.7%**
Česká spořitelna Group	9,679	9,859	1.9%
Banca Comercială Română Group	6,766	6,801	0.5%
Slovenská sporiteľňa Group	4,081	4,041	-1.0%
Erste Bank Hungary Group	3,174	3,209	1.1%
Erste Bank Croatia Group	3,341	3,295	-1.4%
Erste Bank Serbia Group	1,135	1,150	1.3%
Savings banks subsidiaries	1,615	1,627	0.7%
Other subsidiaries and foreign branch offices	1,180	1,191	0.9%
Total	**47,284**	**47,514**	**0.5%**

Operating result

The rise in net interest income and net fee and commission income did not fully offset the significantly lower net trading and fair value result. Operating income thus declined to EUR 1,663.0 million (-6.1%; EUR 1,771.7 million). General administrative expenses were moderately reduced to EUR 1,111.2 million (-0.4%; EUR 1,115.6 million) on the back of lower other administrative expenses, despite an increase in personnel expenses. Operating result declined to EUR 551.7 million (-15.9%; EUR 656.0 million). The cost/income ratio stood at 66.8% (63.0%).

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

Gains from the derecognition of financial instruments not measured at fair value through profit or loss (net) amounted to EUR -1.2 million (EUR 1.1 million). This 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 61.7 million (net releases of EUR 35.8 million). The negative balance of allocation/release of provisions for the lending business was partly offset by high income from the recovery of loans already written off – most importantly in Romania – in the amount of EUR 65.1 million (EUR 33.0 million). Net allocations to provisions for commitments and guarantees given amounted to EUR 37.9 million (net releases of EUR 38.9 million). Allocations to provisions in the first quarter of 2020 as a result of COVID-19 induced social and economic shutdowns were primarily related to selected portfolios and based on expert estimates as due to the high volatility in forecasts the expected macroeconomic deterioration could not yet be fully assessed.

Other operating result

Other operating result came in at EUR -127.6 million (EUR -131.1 million). Levies on banking activities rose to EUR 49.9 million (EUR 38.8 million). While banking tax in Slovakia doubled to EUR 16.9 million (EUR 8.0 million) due to a change in the applicable law as of 1 January 2020, levies payable in Austria were nearly unchanged at EUR 6.3 million (EUR 6.1 million). Hungarian banking tax for the entire year 2020 rose to EUR 14.2 million (EUR 12.5 million). Together with the financial transaction tax of EUR 12.6 million (EUR 12.3 million), banking levies in Hungary totalled EUR 26.8 million (EUR 24.8 million).

Allocations/release of other provisions amounted to EUR -22.8 million (EUR -21.6 million). In addition, other operating result also reflects the annual contributions to resolution funds in the amount of EUR 84.0 million (EUR 78.0 million). Increases were recorded above all in the Czech Republic, to EUR 29.3 million (EUR 26.6 million), and in Slovakia, to EUR 5.0 million (EUR 2.7 million).

Net result

The pre-tax result from continuing operations amounted to EUR 361.3 million (EUR 561.8 million). Due to a one-off effect from an NPL sale in Romania, taxes on income rose to EUR 103.0 million (EUR 95.5 million). The minority charge declined to EUR 23.0 million (EUR 89.3 million) due to substantially lower earnings contributions of savings banks. The net result attributable to owners of the parent amounted to EUR 235.3 million (EUR 377.0 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Financial results from the first quarter of 2020 are compared with those from the fourth quarter of 2019.

in EUR million	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Income statement					
Net interest income	1,160.9	1,168.8	1,187.7	1,229.5	1,229.0
Net fee and commission income	487.7	492.7	503.9	515.9	504.2
Dividend income	0.5	18.4	5.1	3.8	1.5
Net trading result	153.3	156.8	109.2	-101.0	-157.4
Gains/losses from financial instruments measured at fair value through profit or loss	-77.1	-63.0	-49.2	164.9	37.5
Net result from equity method investments	1.8	5.2	3.1	7.0	3.3
Rental income from investment properties & other operating leases	44.6	42.4	41.5	41.7	44.8
Personnel expenses	-621.9	-633.9	-631.3	-650.0	-630.0
Other administrative expenses	-358.3	-267.3	-253.8	-325.8	-344.8
Depreciation and amortisation	-135.4	-129.1	-129.8	-146.6	-136.5
Gains/losses from derecognition of financial assets at AC	0.3	0.6	-1.3	1.3	0.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.7	9.4	7.9	5.5	-1.7
Impairment result from financial instruments	35.8	7.1	0.1	-82.1	-61.7
Other operating result	-131.1	-219.9	-46.2	-230.9	-127.6
Levies on banking activities	-38.8	-25.9	-26.2	-37.1	-49.9
Pre-tax result from continuing operations	**561.8**	**588.0**	**746.8**	**433.2**	**361.3**
Taxes on income	-95.5	-117.2	-138.2	-67.8	-103.0
Net result for the period	**466.3**	**470.8**	**608.6**	**365.4**	**258.3**
Net result attributable to non-controlling interests	89.3	115.9	117.6	118.2	23.0
Net result attributable to owners of the parent	**377.0**	**354.9**	**491.1**	**247.2**	**235.3**

Net interest income was stable at EUR 1,229.0 million (EUR 1,229.5 million). While slight increases were recorded in Romania and Austria, it declined in the Czech Republic. **Net fee and commission income** decreased to EUR 504.2 million (-2.3%; EUR 515.9 million). Net fee and commission income rose in Austria and the Czech Republic, in all other core markets it declined. Dividend income decreased to EUR 1.5 million (EUR 3.8 million). The decline in **net trading result** to EUR -157.4 million (EUR -101.0 million) is attributable to valuation effects in the derivatives and securities business due to interest rate developments and lower income from foreign exchange trading. Gains/losses from financial instruments measured at fair value through profit or loss decreased to EUR 37.5 million (EUR 164.9 million) on the back of valuation losses, primarily at the savings banks in Austria.

General administrative expenses declined to EUR 1,111.2 million (-1.0%; EUR 1,122.4 million). Personnel expenses were lower at EUR 630.0 million (-3.1%; EUR 650.0 million). Other administrative expenses rose to EUR 344.8 million (5.8%; EUR 325.8 million). Depreciation and amortisation decreased to EUR 136.5 million (EUR 146.6 million). The **cost/income ratio** stood at 66.8% (60.3%).

Gains from derecognition of financial instruments not measured at fair value through profit or loss were lower at EUR -1.2 million (EUR 6.8 million). The **impairment result from financial instruments** amounted to EUR -61.6 million (EUR -82.1 million). The negative net balance of allocation/release of provisions for the lending business was partly offset by high income from the recovery of loans already written off.

Other operating result declined to EUR -127.6 million (EUR -230.9 million). In the previous quarter, goodwill in Slovakia in the amount of EUR 165.0 million had been written down completely. Levies on banking activities amounted to EUR 49.9 million (EUR 37.1 million). Thereof, EUR 26.8 million (EUR 11.7 million) were charged in Hungary, including the upfront posting of total banking tax for the year 2020 in the amount of EUR 14.2 million and a financial transaction tax of EUR 12.6 million, and EUR 6.2 million (EUR 6.1 million) in Austria. As of 1 January 2020, banking levies payable in Slovakia were doubled to EUR 16.9 million (EUR 8.3 million). This line item also includes all contributions to resolution funds expected to be payable in 2020 in the amount of EUR 84.0 million.

The **pre-tax result** declined to EUR 361.3 million (EUR 433.2 million). Taxes on income amounted to EUR 103.0 million (EUR 67.8 million) due to a one-off effect in Romania. The minority charge fell to EUR 23.0 million (EUR 118.2 million). The **net result attributable to owners of the parent** decreased to EUR 235.3 million (EUR 247.2 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 19	Mar 20	Change
Assets			
Cash and cash balances	10,693	23,031	>100.0%
Trading, financial assets	44,295	46,970	6.0%
Loans and advances to banks	23,055	24,264	5.2%
Loans and advances to customers	160,270	161,119	0.5%
Intangible assets	1,368	1,322	-3.4%
Miscellaneous assets	6,012	6,193	3.0%
Total assets	**245,693**	**262,898**	**7.0%**
Liabilities and equity			
Financial liabilities held for trading	2,421	3,322	37.2%
Deposits from banks	13,141	20,703	57.6%
Deposits from customers	173,846	182,211	4.8%
Debt securities issued	30,371	29,413	-3.2%
Miscellaneous liabilities	5,437	6,196	14.0%
Total equity	20,477	21,053	2.8%
Total liabilities and equity	**245,693**	**262,898**	**7.0%**

The rise in **cash and cash balances** to EUR 23.0 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 47.0 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 the Holding to EUR 24.3 billion (EUR 23.1 billion). **Loans and advances to customers (net)** rose – in all core markets, but most importantly in Austria – to EUR 161.1 billion (EUR 160.3 billion), driven by corporate loan growth. In the Czech Republic the effect of strong growth in local currency was partly offset by the depreciation of the Czech koruna.

Loan loss allowances for loans to customers remained at the level of the previous period at EUR 3.2 billion (EUR 3.2 billion), reflecting still solid asset quality. The **NPL ratio** – non–performing loans as a percentage of gross customer loans – improved again to 2.4% (2.5%), the **NPL coverage ratio** (based on gross customer loans) to 80.9% (77.1%).

Intangible assets remained nearly unchanged at EUR 1.3 billion (EUR 1.4 billion). **Miscellaneous assets** amounted to EUR 6.2 billion (EUR 6.0 billion).

Financial liabilities – held for trading increased to EUR 3.3 billion (EUR 2.4 billion). **Deposits from banks**, primarily in the form of overnight deposits and term deposits, rose to EUR 20.7 billion (EUR 13.1 billion); **deposits from customers** (including lease liabilities) increased to EUR 182.2 billion (EUR 173.8 billion) on the back of strong growth in overnight deposits and repurchase transactions. The **loan-to-deposit ratio** stood at 88.4% (92.2%). **Debt securities in issue** declined to EUR 29.4 billion (EUR 30.4 billion). **Miscellaneous liabilities** amounted to EUR 6.2 billion (EUR 5.4 billion).

Total assets rose to EUR 262.9 billion (EUR 245.7 billion). **Total equity** increased to EUR 21.3 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) amounted to EUR 15.8 billion (EUR 16.3 billion). Total **own funds** (CRR final) declined to EUR 21.3 billion (EUR 22.0 billion). While interim profit is not included in the above figures, risk costs were deducted. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR final) – rose to EUR 120.5 billion (EUR 118.6 billion). The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR final), stood at 17.7% (18.5%), well above the legal minimum requirement. The **tier 1 ratio** amounted to 14.8% (15.0%), the **common equity tier 1 ratio** at 13.1% (13.7%) (both ratios CRR final).

SEGMENT REPORTING

January-March 2020 compared with January-March 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	1-3 19	1-3 20	Change
Net interest income	561.6	558.8	-0.5%
Net fee and commission income	259.5	265.6	2.4%
Net trading result and gains/losses from financial instruments at FVPL	26.1	26.0	-0.3%
Operating income	854.8	857.8	0.4%
Operating expenses	-517.8	-521.9	0.8%
Operating result	337.0	335.9	-0.3%
Cost/income ratio	60.6%	60.8%	
Impairment result from financial instruments	-15.4	-40.4	>100.0%
Other result	-11.7	-24.6	>100.0%
Net result attributable to owners of the parent	253.2	221.6	-12.5%
Return on allocated capital	31.0%	28.1%	

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, Croatia, Slovakia and Romania. Lending business in Romania, Austria, Slovakia, Hungary and Serbia developed positively as customer loan volumes increased. Net fee and commission income increased mainly due to higher fees from securities in Austria, the Czech Republic, Romania and Hungary as well as higher insurance brokerage fees. These positive developments more than offset the decline of payment and lending fees. Net trading result and gains/losses from financial instruments FVPL were almost unchanged. Operating expenses increased primarily due to higher personnel expenses primarily in the Czech Republic and Croatia, partially offset by lower deposit insurance fund contributions in Romania. Overall, operating result and the cost/income ratio remained largely stable. The deterioration of impairment result from financial instruments was primarily driven by higher provisioning in the Czech Republic, Austria, Croatia, Slovakia and Serbia, while risk costs in Romania and Hungary declined. Consequently, the net result attributable to the owners of the parent decreased.

Corporates

in EUR million	1-3 19	1-3 20	Change
Net interest income	262.4	281.4	7.2%
Net fee and commission income	69.7	69.4	-0.5%
Net trading result and gains/losses from financial instruments at FVPL	18.7	-9.5	n/a
Operating income	377.0	368.8	-2.2%
Operating expenses	-139.7	-135.7	-2.8%
Operating result	237.4	233.1	-1.8%
Cost/income ratio	37.0%	36.8%	
Impairment result from financial instruments	40.6	-3.1	n/a
Other result	7.4	-15.1	n/a
Net result attributable to owners of the parent	225.6	168.8	-25.2%
Return on allocated capital	21.7%	15.0%	

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, higher deposit volumes in the Czech Republic supported by the still higher interest rate environment and positive contribution of lending business in Slovakia. Net fee and commission income remained nearly flat as higher fee income in Slovakia and the Holding compensated lower lending fees in Romania. 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 primarily due to cost reductions in Romania. Consequently, although operating result declined the cost/income ratio improved. The increase of risk provisions (line item impairment result from financial instruments) resulted from non-recurrence of the last year's releases and worsening of customers rating mainly in the Holding and the Czech Republic. These developments were partially compensated by releases following a non-performing loan portfolio sale in Romania. Other result worsened mainly on the back of non-recurrence of selling gains in Austria. The net result attributable to the owners of the parent decreased.

Group Markets

in EUR million	1-3 19	1-3 20	Change
Net interest income	66.0	67.7	2.5%
Net fee and commission income	55.8	68.1	22.0%
Net trading result and gains/losses from financial instruments at FVPL	12.1	-94.3	n/a
Operating income	134.0	41.6	-68.9%
Operating expenses	-58.0	-57.2	-1.5%
Operating result	75.9	-15.5	n/a
Cost/income ratio	43.3%	>100%	
Impairment result from financial instruments	8.2	-5.2	n/a
Other result	-4.3	-7.6	76.8%
Net result attributable to owners of the parent	62.2	-19.3	n/a
Return on allocated capital	26.0%	-8.8%	

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 securities 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 money market and fixed income trading positions, interest rate derivatives as well as a drop in market prices of fair value securities. Consequently, operating income decreased. Although operating expenses remained nearly stable, operating result decreased and the cost/income ratio deteriorated. Impairment result from financial instruments deteriorated mainly on the non-recurrence of the last year's releases in the Holding. Other result deteriorated on the back of higher resolution fund contributions and higher banking taxes. Overall, the net result attributable to the owners of the parent turned negative.

Asset/Liability Management & Local Corporate Center

in EUR million	1-3 19	1-3 20	Change
Net interest income	-15.4	2.7	n/a
Net fee and commission income	-20.5	-21.2	3.4%
Net trading result and gains/losses from financial instruments at FVPL	10.5	3.3	-68.9%
Operating income	-18.5	-7.0	-62.2%
Operating expenses	-61.8	-52.5	-15.1%
Operating result	-80.3	-59.5	-25.9%
Cost/income ratio	>100%	>100%	
Impairment result from financial instruments	1.8	-0.7	n/a
Other result	-82.7	-85.7	3.7%
Net result attributable to owners of the parent	-137.5	-139.7	1.6%
Return on allocated capital	-19.7%	-19.0%	

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 stable. 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 slightly as booking of the estimated NPV loss related to general COVID-19 loan moratorium in Hungary was largely compensated by lower provisions for legal expenses in Croatia. The net result attributable to the owners of the parent worsened.

Savings Banks

in EUR million	1-3 19	1-3 20	Change
Net interest income	256.8	266.7	3.8%
Net fee and commission income	117.4	133.6	13.8%
Net trading result and gains/losses from financial instruments at FVPL	24.5	-58.1	n/a
Operating income	408.9	352.9	-13.7%
Operating expenses	-282.5	-293.4	3.9%
Operating result	126.4	59.5	-52.9%
Cost/income ratio	69.1%	83.1%	
Impairment result from financial instruments	1.4	-14.9	n/a
Other result	-10.2	-12.2	19.9%
Net result attributable to owners of the parent	12.8	5.5	-56.9%
Return on allocated capital	11.7%	2.1%	

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 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 increased deposit insurance contributions of EUR 34.5 million (EUR 29.5 million) and the costs of the newly acquired entity. Operating result as well as the cost/income ratio worsened. Higher risk provisions were reflected in the impairment result from financial instruments. Other result worsened, partly on higher contributions to the resolution fund of EUR 9.0 million (EUR 8.6 million). Banking tax remained unchanged at EUR 1.1 million (EUR 1.1 million). Overall, the net result attributable to the owners of the parent decreased.

Group Corporate Center

in EUR million	1-3 19	1-3 20	Change
Net interest income	17.3	22.0	27.5%
Net fee and commission income	5.7	-1.5	n/a
Net trading result and gains/losses from financial instruments at FVPL	-1.4	37.2	n/a
Operating income	25.5	53.4	>100.0%
Operating expenses	-260.2	-248.8	-4.4%
Operating result	-234.7	-195.5	-16.7%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	7.8	2.5	-67.6%
Other result	157.0	210.1	33.8%
Net result attributable to owners of the parent	-39.3	-1.7	-95.8%
Return on allocated capital	-3.3%	0.0%	

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 decreased on the back of lower project costs. Consequently, operating result improved. Other result went up on the back of higher valuation effects. Overall, the net result attributable to the owners of the parent improved.

GEOGRAPHICAL SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-3 19	1-3 20	Change
Net interest income	156.0	161.1	3.3%
Net fee and commission income	96.8	106.1	9.6%
Net trading result and gains/losses from financial instruments at FVPL	1.0	-0.2	n/a
Operating income	263.0	281.4	7.0%
Operating expenses	-191.9	-188.8	-1.6%
Operating result	71.1	92.6	30.2%
Cost/income ratio	73.0%	67.1%	
Impairment result from financial instruments	-6.2	-21.7	>100.0%
Other result	-11.5	-17.0	47.4%
Net result attributable to owners of the parent	38.7	36.1	-6.7%
Return on allocated capital	10.0%	9.0%	

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 increased on the back of higher securities and payment fees. Net trading result and gains/losses from financial instruments at FVPL went down slightly driven by valuation effects. Operating expenses decreased mainly due to lower personnel and marketing expenses, while the deposit insurance contribution went up to EUR 27.7 million (EUR 22.0 million). Consequently, operating result increased and the cost/income ratio improved. The deterioration of impairment result from financial instruments was mainly driven by higher provisioning requirements in retail and SME business. Other result worsened due to a shift of expenses from rental income from investment properties and other operating lease to other result. Payments into the resolution fund decreased to EUR 8.2 million (EUR 9.5 million). Banking tax remained unchanged at EUR 0.9 million (EUR 0.9 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	1-3 19	1-3 20	Change
Net interest income	98.0	112.4	14.8%
Net fee and commission income	55.9	67.7	21.1%
Net trading result and gains/losses from financial instruments at FVPL	-4.1	-107.8	>100.0%
Operating income	161.8	85.6	-47.1%
Operating expenses	-90.2	-90.2	0.0%
Operating result	71.5	-4.7	n/a
Cost/income ratio	55.8%	>100%	
Impairment result from financial instruments	17.3	-26.6	n/a
Other result	16.0	-1.5	n/a
Net result attributable to owners of the parent	82.8	-22.6	n/a
Return on allocated capital	16.3%	-4.1%	

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 bond volumes in the Holding. Net fee and commission income increased due to the higher securities fees driven by origination and sales business with institutional clients in Group Markets as well as higher asset under management volumes in Erste Asset Management. Net trading result and gains/losses from financial instruments at FVPL decreased significantly due to valuation results of money market and fixed income trading positions, interest rate derivatives and a drop in market prices of fair value securities. Operating expenses remained stable, consequently operating result decreased and the cost/income ratio deteriorated. The impairment result from financial instruments deteriorated due to an increased provisioning level in corporate portfolio. Other result deteriorated on non-recurrence of last year's selling gains. Other result included also the resolution fund contribution of EUR 1.8 million (EUR 1.6 million). Overall, the net result attributable to the owners of the parent turned negative.

Czech Republic

in EUR million	1-3 19	1-3 20	Change
Net interest income	276.0	291.9	5.7%
Net fee and commission income	85.4	82.2	-3.7%
Net trading result and gains/losses from financial instruments at FVPL	25.5	13.9	-45.6%
Operating income	389.7	390.7	0.3%
Operating expenses	-188.0	-195.3	3.9%
Operating result	201.6	195.5	-3.1%
Cost/income ratio	48.3%	50.0%	
Impairment result from financial instruments	10.4	-24.3	n/a
Other result	-27.1	-28.5	5.0%
Net result attributable to owners of the parent	147.3	113.9	-22.7%
Return on allocated capital	24.3%	18.1%	

The segment analysis is done on a constant currency basis. The CZK appreciated by 0.2% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) increased primarily due to higher interest rate environment combined with higher deposit volumes. Net fee and commission income decreased on the back of the changed disclosure of the fees charged for early loan repayment and lower payment fees on the back of the euro cross border payments regulation SEPA. These developments were partially offset by better performance of insurance brokerage and securities fees. The lower result from net trading and from gains/losses from financial instruments at FVPL was attributable to negative valuation effects. Higher personnel costs as well as higher depreciation led to an increase in operating expenses. The deposit insurance contribution amounted to EUR 10.6 million (EUR 10.4 million). Overall, operating result declined, the cost/income ratio worsened. Impairment result from financial instruments deteriorated due to higher provisions in corporate and retail business partially driven by the non-recurrence of the releases posted last year. The other result deteriorated mainly due to higher contributions to the resolution fund of EUR 29.3 million (EUR 26.6 million). Altogether, these developments led to a decrease in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-3 19	1-3 20	Change
Net interest income	107.4	110.7	3.1%
Net fee and commission income	32.5	34.5	6.0%
Net trading result and gains/losses from financial instruments at FVPL	2.9	-4.5	n/a
Operating income	144.9	142.1	-1.9%
Operating expenses	-71.1	-73.0	2.7%
Operating result	73.8	69.1	-6.3%
Cost/income ratio	49.1%	51.4%	
Impairment result from financial instruments	-2.4	-11.3	>100.0%
Other result	-9.0	-22.5	>100.0%
Net result attributable to owners of the parent	48.7	28.0	-42.6%
Return on allocated capital	18.9%	10.2%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) increased on the back of higher loan volumes. Net fee and commission income improved due to higher insurance brokerage and securities fees. Net trading result and gains/losses from financial instruments at FVPL deteriorated due to valuation effects. Operating expenses increased due to 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. Other result deteriorated due to the increase of banking tax to EUR 16.9 million (EUR 8.0 million) as well as the payment into the resolution fund to EUR 5.0 million (EUR 2.7 million). Overall, the net result attributable to the owners of the parent decreased.

Romania

in EUR million	1-3 19	1-3 20	Change
Net interest income	103.3	111.7	8.2%
Net fee and commission income	37.0	34.1	-7.8%
Net trading result and gains/losses from financial instruments at FVPL	12.3	13.4	9.4%
Operating income	157.0	164.7	4.9%
Operating expenses	-99.2	-85.9	-13.4%
Operating result	57.8	78.8	36.4%
Cost/income ratio	63.2%	52.1%	
Impairment result from financial instruments	8.6	44.2	>100.0%
Other result	-12.9	-13.1	1.4%
Net result attributable to owners of the parent	46.4	78.3	69.0%
Return on allocated capital	13.3%	22.8%	

The segment analysis is done on a constant currency basis. The RON depreciated by 1.3% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) improved on the back of higher contribution of lending business as well as lower funding costs. Net fee and commission income decreased due to lower lending and payment fees, mitigated by higher securities fees. Net trading result and gains/losses from financial instruments at FVPL increased primarily due to a better result from foreign exchange business. Operating expenses decreased mainly due to lower deposit insurance contributions of EUR 4.4 million (EUR 12.7 million) and lower legal and consultancy expenses. Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved mainly in corporate business resulting in overall net releases of risk provisions due to a non-performing loan portfolio sale. Non-recurrence of the selling gains and an impairment on non-financial assets led to a minor worsening of the other result. The resolution fund contribution amounted to EUR 7.8 million (EUR 6.6 million). The net result attributable to the owners of the parent increased.

Hungary

in EUR million	1-3 19	1-3 20	Change
Net interest income	52.9	55.1	4.2%
Net fee and commission income	44.2	45.5	3.0%
Net trading result and gains/losses from financial instruments at FVPL	10.3	5.7	-44.5%
Operating income	108.5	108.4	-0.2%
Operating expenses	-59.6	-58.7	-1.5%
Operating result	48.9	49.6	1.5%
Cost/income ratio	54.9%	54.2%	
Impairment result from financial instruments	5.2	3.9	-25.5%
Other result	-26.6	-41.2	54.7%
Net result attributable to owners of the parent	23.6	9.1	-61.6%
Return on allocated capital	10.1%	3.9%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 6.7% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased driven by higher customer loan and deposit volumes. Net fee and commission income rose predominantly due to higher securities fees. Net trading result and gains/losses from financial instruments at FVPL decreased on a lower result from derivatives and securities trading. Operating expenses went up in local currency terms on the back of higher personnel and IT costs. Deposit insurance contributions decreased to EUR 6.3 million (EUR 7.9 million). Overall, operating result and the cost/income ratio improved. Lower net releases of risk provisions (reflected in the impairment result from financial instruments) were caused by provisioning requirements in corporate business. Other result deteriorated due to the booking of the estimated NPV loss related to the general COVID-19 loan moratorium. This line item also included the banking tax of EUR 14.2 million (EUR 12.5 million), transaction tax of EUR 12.5 million (EUR 12.3 million) and the contribution to the resolution fund of EUR 3.1 million (EUR 2.6 million). Overall, the net result attributable to the owners of the parent decreased.

Croatia

in EUR million	1-3 19	1-3 20	Change
Net interest income	68.1	68.5	0.7%
Net fee and commission income	22.8	23.4	2.7%
Net trading result and gains/losses from financial instruments at FVPL	7.5	2.3	-68.6%
Operating income	102.2	97.7	-4.4%
Operating expenses	-55.2	-56.7	2.8%
Operating result	47.0	40.9	-12.9%
Cost/income ratio	54.0%	58.1%	
Impairment result from financial instruments	0.5	-12.1	n/a
Other result	-24.1	-6.4	-73.5%
Net result attributable to owners of the parent	12.8	12.5	-2.2%
Return on allocated capital	10.0%	8.8%	

The segment analysis is done on a constant currency basis. The HRK depreciated by 0.9% against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased slightly as higher retail and corporate loan volumes offset lower interest margins. Net fee and commission income increased on higher payment fees in retail business as well as higher fees from bond origination. Net trading result and gains/losses from financial instruments at FVPL decreased on the back of a lower result from foreign exchange transactions and valuation effects. Operating expenses went up due to higher personnel and IT costs and included a EUR 3.0 million (EUR 2.7 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 higher provisioning needs in retail business. Other result improved mainly due to lower legal provisions. This line item included resolution fund contribution in the amount of EUR 4.0 million (EUR 3.9 million). Consequently, the net result attributable to the owners of the parent decreased moderately.

Serbia

in EUR million	1-3 19	1-3 20	Change
Net interest income	13.5	15.3	13.5%
Net fee and commission income	3.0	3.8	28.6%
Net trading result and gains/losses from financial instruments at FVPL	1.3	0.8	-33.3%
Operating income	17.8	20.0	12.7%
Operating expenses	-13.8	-12.8	-7.3%
Operating result	3.9	7.2	82.7%
Cost/income ratio	77.8%	64.1%	
Impairment result from financial instruments	1.0	-1.8	n/a
Other result	0.0	-0.1	n/a
Net result attributable to owners of the parent	3.6	4.2	18.0%
Return on allocated capital	8.1%	9.7%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) appreciated by 0.6% 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 slightly driven by securities valuation. Operating expenses decreased due to lower IT costs and a reduced deposit insurance contribution of EUR 0.8 million (EUR 1.1 million). These developments were partially offset by higher personnel costs. 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. Overall, the net result attributable to the owners of the parent increased.

Other

in EUR million	1-3 19	1-3 20	Change
Net interest income	28.9	35.4	22.4%
Net fee and commission income	-7.4	-26.8	>100.0%
Net trading result and gains/losses from financial instruments at FVPL	-4.9	14.5	n/a
Operating income	18.0	19.4	8.1%
Operating expenses	-64.1	-56.3	-12.1%
Operating result	-46.1	-36.9	-20.0%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	0.0	2.8	n/a
Other result	-24.7	13.7	n/a
Net result attributable to owners of the parent	-39.8	-29.8	-25.2%
Return on allocated capital	-2.7%	-1.7%	

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 lower project costs resulted in the improvement of operating result. Other result improved on the back of positive valuation effects. Overall the net result attributable to the owners of the parent improved.

Condensed interim consolidated financial statements

Interim report – 1 January to 31 March 2020

Consolidated statement of income

in EUR thousand	Notes	1-3 19	1-3 20
Net interest income	1	1,160,884	1,229,004
Interest income	1	1,356,562	1,391,687
Other similar income	1	425,314	395,095
Interest expenses	1	-271,241	-230,968
Other similar expenses	1	-349,751	-326,811
Net fee and commission income	2	487,695	504,243
Fee and commission income	2	595,767	604,610
Fee and commission expenses	2	-108,072	-100,367
Dividend income	3	539	1,524
Net trading result	4	153,302	-157,356
Gains/losses from financial instruments measured at fair value through profit or loss	5	-77,107	37,459
Net result from equity method investments		1,789	3,289
Rental income from investment properties & other operating leases	6	44,555	44,793
Personnel expenses	7	-621,942	-629,960
Other administrative expenses	7	-358,263	-344,795
Depreciation and amortisation	7	-135,413	-136,472
Gains/losses from derecognition of financial assets measured at amortised cost	8	342	429
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	9	715	-1,652
Impairment result from financial instruments	10	35,758	-61,682
Other operating result	11	-131,090	-127,561
Levies on banking activities	11	-38,833	-49,906
Pre-tax result from continuing operations		**561,763**	**361,263**
Taxes on income	12	-95,500	-102,960
Net result for the period		**466,263**	**258,303**
Net result attributable to non-controlling interests		89,310	23,039
Net result attributable to owners of the parent		**376,953**	**235,264**

Earnings per share

		1-3 19	1-3 20
Net result attributable to owners of the parent	in EUR thousand	376,953	235,264
Dividend on AT1 capital	in EUR thousand	0	0
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	376,953	235,264
Weighted average number of outstanding shares		426,575,270	426,499,141
Earnings per share	**in EUR**	**0.88**	**0.55**
Weighted average diluted number of outstanding shares		426,575,270	426,499,141
Diluted earnings per share	**in EUR**	**0.88**	**0.55**

Development of the number of shares

	1-3 19	1-3 20
Shares outstanding at the beginning of the period	408,617,137	408,127,137
Acquisition of treasury shares	-4,360,266	-1,733,352
Disposal of treasury shares	4,100,266	827,852
Shares outstanding at the end of the period	408,357,137	407,221,637
Treasury shares	21,442,863	22,578,363
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,575,270	426,499,141
Weighted average diluted number of outstanding shares	426,575,270	426,499,141

Consolidated statement of comprehensive income

in EUR thousand	1-3 19	1-3 20
Net result for the period	**466,263**	**258,303**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**-31,428**	**308,523**
Remeasurement of defined benefit plans	-50,279	60,191
Fair value reserve of equity instruments	33,480	7,350
Own credit risk reserve	-25,088	278,383
Deferred taxes relating to items that may not be reclassified	10,459	-37,401
Items that may be reclassified to profit or loss	**-39,239**	**-463,448**
Fair value reserve of debt instruments	27,547	-72,438
Gain/loss during the period	29,585	-73,830
Reclassification adjustments	-1,327	1,046
Credit loss allowances	-712	346
Cash flow hedge reserve	-8,124	164,365
Gain/loss during the period	-843	168,961
Reclassification adjustments	-7,281	-4,596
Currency reserve	-51,705	-539,582
Gain/loss during the period	-51,705	-539,582
Deferred taxes relating to items that may be reclassified	-6,957	-15,740
Gain/loss during the period	-8,850	-16,606
Reclassification adjustments	1,893	866
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0	-52
Total other comprehensive income	**-70,668**	**-154,925**
Total comprehensive income	**395,596**	**103,378**
Total comprehensive income attributable to non-controlling interests	77,452	20,295
Total comprehensive income attributable to owners of the parent	**318,144**	**83,083**

Quarterly results

in EUR million	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
Income statement					
Net interest income	1,160.9	1,168.8	1,187.7	1,229.5	1,229.0
Interest income	1,356.6	1,385.5	1,397.4	1,404.6	1,391.7
Other similar income	425.3	414.1	392.0	423.8	395.1
Interest expenses	-271.2	-283.6	-262.9	-237.1	-231.0
Other similar expenses	-349.8	-347.2	-338.8	-361.8	-326.8
Net fee and commission income	487.7	492.7	503.9	515.9	504.2
Fee and commission income	595.8	593.2	616.8	567.7	604.6
Fee and commission expenses	-108.1	-100.5	-113.0	-51.8	-100.4
Dividend income	0.5	18.4	5.1	3.8	1.5
Net trading result	153.3	156.8	109.2	-101.0	-157.4
Gains/losses from financial instruments measured at fair value through profit or loss	-77.1	-63.0	-49.2	164.9	37.5
Net result from equity method investments	1.8	5.2	3.1	7.0	3.3
Rental income from investment properties & other operating leases	44.6	42.4	41.5	41.7	44.8
Personnel expenses	-621.9	-633.9	-631.3	-650.0	-630.0
Other administrative expenses	-358.3	-267.3	-253.8	-325.8	-344.8
Depreciation and amortisation	-135.4	-129.1	-129.8	-146.6	-136.5
Gains/losses from derecognition of financial assets at AC	0.3	0.6	-1.3	1.3	0.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.7	9.4	7.9	5.5	-1.7
Impairment result from financial instruments	35.8	7.1	0.1	-82.1	-61.7
Other operating result	-131.1	-219.9	-46.2	-230.9	-127.6
Levies on banking activities	-38.8	-25.9	-26.2	-37.1	-49.9
Pre-tax result from continuing operations	**561.8**	**588.0**	**746.8**	**433.2**	**361.3**
Taxes on income	-95.5	-117.2	-138.2	-67.8	-103.0
Net result for the period	**466.3**	**470.8**	**608.6**	**365.4**	**258.3**
Net result attributable to non-controlling interests	89.3	115.9	117.6	118.2	23.0
Net result attributable to owners of the parent	**377.0**	**354.9**	**491.1**	**247.2**	**235.3**
Statement of comprehensive income					
Net result for the period	**466.3**	**470.8**	**608.6**	**365.4**	**258.3**
Other comprehensive income					
Items that may not be reclassified to profit or loss	**-31.4**	**-48.0**	**-22.2**	**31.6**	**308.5**
Remeasurement of defined benefit plans	-50.3	-70.9	-45.4	26.6	60.2
Fair value reserve of equity instruments	33.5	13.9	17.2	-10.4	7.3
Own credit risk reserve	-25.1	-1.8	-0.2	9.6	278.4
Deferred taxes relating to items that may not be reclassified	10.5	10.8	6.2	5.7	-37.4
Items that may be reclassified to profit or loss	**-39.2**	**115.1**	**-99.8**	**1.1**	**-463.4**
Fair value reserve of debt instruments	27.5	42.7	32.5	-58.2	-72.4
Gain/loss during the period	29.6	43.8	31.3	-58.3	-73.8
Reclassification adjustments	-1.3	-1.3	1.2	-4.6	1.0
Credit loss allowances	-0.7	0.2	0.1	4.8	0.3
Cash flow hedge reserve	-8.1	11.4	-8.8	-49.0	164.4
Gain/loss during the period	-0.8	18.7	-3.2	-44.1	169.0
Reclassification adjustments	-7.3	-7.2	-5.6	-4.9	-4.6
Currency reserve	-51.7	73.8	-118.2	82.6	-539.6
Gain/loss during the period	-51.7	73.8	-118.2	82.6	-539.6
Deferred taxes relating to items that may be reclassified	-7.0	-13.1	-5.3	25.7	-15.7
Gain/loss during the period	-8.8	-15.0	-6.4	24.1	-16.6
Reclassification adjustments	1.9	1.9	1.2	1.6	0.9
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	0.2	0.0	0.0	-0.1
Total	**-70.7**	**67.0**	**-122.0**	**32.7**	**-154.9**
Total comprehensive income	**395.6**	**537.8**	**486.7**	**398.0**	**103.4**
Total comprehensive income attributable to non-controlling interests	77.5	97.6	102.8	116.6	20.3
Total comprehensive income attributable to owners of the parent	**318.1**	**440.2**	**383.9**	**281.4**	**83.1**

Consolidated balance sheet

in EUR thousand	Notes	Dec 19	Mar 20
Assets			
Cash and cash balances	13	10,693,301	23,030,603
Financial assets held for trading		5,759,602	7,705,651
Derivatives	14	2,805,447	4,033,837
Other financial assets held for trading	15	2,954,155	3,671,813
Pledged as collateral		429,799	345,436
Non-trading financial assets at fair value through profit and loss	16	3,208,269	3,130,311
Pledged as collateral		38,639	19,014
Equity instruments		390,080	361,124
Debt securities		2,334,757	2,249,973
Loans and advances to customers		483,432	519,214
Financial assets at fair value through other comprehensive income	17	9,046,504	8,953,150
Pledged as collateral		603,241	777,129
Equity instruments		210,117	138,611
Debt securities		8,836,388	8,814,539
Financial assets at amortised cost	18	204,162,083	207,132,664
Pledged as collateral		2,141,960	2,355,348
Debt securities		26,763,789	27,700,435
Loans and advances to banks		23,054,595	24,264,096
Loans and advances to customers		154,343,699	155,168,133
Finance lease receivables	19	4,034,425	4,040,452
Hedge accounting derivatives	20	130,118	225,898
Fair value changes of hedged items in portfolio hedge of interest rate risk		-3,766	2,028
Property and equipment		2,629,247	2,557,884
Investment properties		1,265,916	1,254,279
Intangible assets		1,368,320	1,321,608
Investments in associates and joint ventures		162,984	163,187
Current tax assets		80,715	80,092
Deferred tax assets		477,063	452,612
Assets held for sale		268,860	265,289
Trade and other receivables	21	1,408,069	1,391,101
Other assets	22	1,001,137	1,191,418
Total assets		**245,692,847**	**262,898,227**
Liabilities and equity			
Financial liabilities held for trading		2,421,082	3,322,122
Derivatives	14	2,005,403	2,945,359
Other financial liabilities held for trading	23	415,679	376,763
Financial liabilities at fair value through profit or loss		13,494,319	12,590,981
Deposits from customers		264,837	251,752
Debt securities issued	24	13,010,530	12,128,154
Other financial liabilities		218,953	211,075
Financial liabilities at amortised cost		204,143,420	219,987,692
Deposits from banks	25	13,140,590	20,703,283
Deposits from customers	25	173,066,149	181,439,294
Debt securities issued	25	17,360,340	17,285,335
Other financial liabilities		576,341	559,780
Lease liabilities		515,068	519,970
Hedge accounting derivatives	20	269,189	207,328
Fair value changes of hedged items in portfolio hedge of interest rate risk		11	95
Provisions	26	1,918,740	2,046,474
Current tax liabilities		60,586	94,370
Deferred tax liabilities		17,905	24,471
Liabilities associated with assets held for sale		6,169	6,887
Other liabilities	27	2,369,033	3,045,244
Total equity		**20,477,324**	**21,052,592**
Equity attributable to non-controlling interests		4,857,496	4,875,187
Additional equity instruments		1,490,367	1,987,483
Equity attributable to owners of the parent		14,129,461	14,189,922
Subscribed capital		859,600	859,600
Additional paid-in capital		1,477,719	1,477,719
Retained earnings and other reserves		11,792,141	11,852,602
Total liabilities and equity		**245,692,847**	**262,898,227**

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	-22	0	0	0	0	0	-22	0	0	-22
Dividends paid	0	0	0	0	0	0	0	0	0	0	-3	-3
capital increase/decrease	0	0	0	0	0	0	0	0	0	497	0	497
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	61	0	-62	2	0	0	0	0	0	0
Total comprehensive income	0	0	235	133	-32	243	-529	33	83	0	20	103
Net result for the period	0	0	235	0	0	0	0	0	235	0	23	258
Other comprehensive income	0	0	0	133	-32	243	-529	33	-152	0	-3	-155
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	33	33	0	20	53
Change in fair value reserve	0	0	0	0	-32	0	0	0	-32	0	-19	-51
Change in cash flow hedge reserve	0	0	0	133	0	0	0	0	133	0	0	133
Change in currency reserve	0	0	0	0	0	0	-529	0	-529	0	-10	-540
Change in own credit risk reserve	0	0	0	0	0	243	0	0	243	0	7	250
As of 31 March 2020	**860**	**1,478**	**13,368**	**88**	**166**	**-154**	**-1,139**	**-477**	**14,190**	**1,987**	**4,875**	**21,053**
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	-5	0	0	0	0	0	-5	0	0	-5
Dividends paid	0	0	0	0	0	0	0	0	0	0	-2	-2
capital increase/decrease	0	0	0	0	0	0	0	0	0	497	0	497
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	-1	0	0	1	0	0	0	0	0	0
Total comprehensive income	0	0	377	-6	40	-15	-51	-28	318	0	77	396
Net result for the period	0	0	377	0	0	0	0	0	377	0	89	466
Other comprehensive income	0	0	0	-6	40	-15	-51	-28	-59	0	-12	-71
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	-28	-28	0	-16	-44
Change in fair value reserve	0	0	0	0	40	0	0	0	40	0	5	46
Change in cash flow hedge reserve	0	0	0	-6	0	0	0	0	-6	0	0	-6
Change in currency reserve	0	0	0	0	0	0	-51	0	-51	0	-1	-52
Change in own credit risk reserve	0	0	0	0	0	-15	0	0	-15	0	0	-15
As of 31 March 2019	**860**	**1,477**	**12,651**	**-9**	**269**	**-449**	**-648**	**-456**	**13,694**	**1,490**	**4,570**	**19,754**

Consolidated statement of cash flows

in EUR million	1-3 19	1-3 20
Net result for the period	**466**	**258**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation and net impairment of non-financial assets	135	140
Net allocation to credit loss allowances and other provisions	17	151
Gains/losses from measurement and derecognition of financial assets and financial liabilities	-28	-319
Other adjustments	-58	-305
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets held for trading	-727	-1,981
Non-trading financial assets at fair value through profit and loss		
Equity instruments	5	29
Debt securities	3	7
Loans and advances to customers	20	-36
Financial assets at fair value through other comprehensive income: debt securities	138	-12
Financial assets at amortised cost		
Debt securities	-544	-937
Loans and advances to banks	-3,640	-1,209
Loans and advances to customers	-2,603	-910
Finance lease receivables	-13	-10
Hedge accounting derivatives	-12	38
Other assets from operating activities	-173	-134
Financial liabilities held for trading	-162	1,195
Financial liabilities at fair value through profit or loss	173	-531
Financial liabilities at amortised cost		
Deposits from banks	2,637	7,563
Deposits from customers	3,129	8,373
Debt securities issued	-1,406	-75
Other financial liabilities	134	-17
Hedge accounting derivatives	8	-62
Other liabilities from operating activities	1,016	798
Cash flow from operating activities	**-1,484**	**12,013**
Proceeds of disposal		
Financial assets at fair value through other comprehensive income: equity instruments	0	53
Investments in associates and joint ventures	0	1
Property and equipment and intangible assets	10	10
Investment properties	8	2
Acquisition of		
Financial assets at fair value through other comprehensive income: equity instruments	0	0
Investments in associates and joint ventures	-2	0
Property and equipment and intangible assets	-135	-59
Investment properties	-19	-5
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	**-139**	**2**
Capital increases	497	497
Capital decrease	0	0
Acquisition of non-controlling interest	0	0
Dividends paid to equity holders of the parent	0	0
Dividends paid to non-controlling interests	-2	-3
Cash flow from financing activities	**495**	**494**
Cash and cash equivalents at the beginning of the period	**17,549**	**10,693**
Cash flow from operating activities	-1,484	12,013
Cash flow from investing activities	-139	2
Cash flow from financing activities	495	494
Effect of currency translation	-39	-172
Cash and cash equivalents at the end of period	**16,382**	**23,031**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)	**985**	**1,128**
Payments for taxes on income	-99	-100
Interest received	1,895	2,010
Dividends received	1	2
Interest paid	-812	-783

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 31 March 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 31 March 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”. Erste Group’s application of IFRS resulted in no differences between IFRS as issued by the International Accounting Standards Board (“IASB”) and IFRS as endorsed by the EU.

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	4
Disposals	
Companies sold or liquidated	-1
Mergers	-1
As of 31 March 2020	**382**

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. The 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.

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, some banks are offering renegotiations of repayment schedules and payment holidays on a voluntary basis to customers facing liquidity shortages.

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 included below.

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 quarter 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.

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. In this regards, Erste Group concluded that the COVID-19 pandemic resulted in significant changes in the first quarter 2020 with an adverse effect in the economic environment. For this reason, Erste Group performed an impairment test on the goodwill of Česká spořitelna, a.s. as of 31 March 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. The test did not result in an impairment loss booking as the calculated recoverable amount exceeds the carrying amount.

Effects on interim consolidated financial statements 1 January to 31 March 2020

In the first quarter of 2020, public moratoria and payment holidays resulted in significant effects on financial statements only in Erste Bank Hungary Zrt. (EBH). Following the launch of state of emergency on 11 March 2020, the Hungarian government introduced among other measures a legal installment moratorium automatically applicable for all customers who do not actively opt out of the moratorium scheme. The regulation applies to retail and corporate loans, leasing contracts, employee loan contracts and credit cards contracted before 19 March 2020 and results in a suspension of principal, interest and fee payments until 31 December 2020. Customers have the possibility to flexibly opt in and out during this period. Contractual interest accrues during the moratorium, but cannot be capitalised to the principal amount.

Additionally, the post-moratorium nominal instalments of a particular financial asset must be equal to pre-moratorium nominal instalments leading to an extension of the final maturity. Due to the short-term and unprecedented nature of this measure, the effect was not calculated on contract level for the financial statements as at 31 March 2020, but estimated on portfolio level in a total loss amount of HUF 6 billion (EUR 17.6 million). As a result, Erste Group decided to follow a simplified presentation approach with regards to this effect and reflect the estimate in the statement of income in line item 'Other operating result' and in the balance sheet under 'Other provisions' in the first quarter of 2020.

In the other countries of Erste Group, public moratoria and payment holidays did not result in material modification loss bookings in the first quarter of 2020. This is mainly because some public measures became effective only after 31 March 2020 and contractual interest continues to accrue during and is capitalised after the suspension period in most of the cases.

Details on the effects of COVID-19 on the expected credit loss estimation in the first quarter of 2020 are described in Note 29 Risk Management.

Events after the reporting date in relation to COVID-19

During April 2020, governments and regulators have taken various further measures to address the impacts of the COVID-19 pandemic on the economy. Besides several measures in economic, social and employment areas, legal regulations requiring banks to offer payment moratoria for the repayment of loans to their retail and corporate clients have been adopted in almost all jurisdictions where Erste Group operates. The payment moratoria aim to support clients to bypass liquidity shortages as a consequence of the COVID-19 restrictions. In general they are set-up in a way that clients can apply for a postponement of interest and principal loan repayments for a period between three to nine months. In most cases, banks are entitled to receive contractual interest for the period of the moratorium.

In addition, on 14 April 2020 the Hungarian Government published a decree with effective date as of 1 May 2020, levying an extraordinary one-off tax on Hungarian banks for the current year. The rate of the one-off tax will be 0.19% on a tax base equal to the banking tax base. Payments will be due in three equal installments, on 10 June, 10 September and 10 December 2020.

The COVID-19 pandemic and 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 assessments. Due to high uncertainties in the economic environment reasonable estimates of financial effects cannot be currently made. The bank follows the developments closely and will recognise the related effects as the situation becomes clearer throughout 2020. For the payment moratoria the bank does not expect significant modification losses in cases where it is entitled to the contractual interest rate. But the uncertainty is high since there are multiple, currently unclear factors which will affect the amounts of modification losses. Notably, the magnitude of the effect depends on the number of individual contracts that would be modified and to what extent payments of the contractual interest would be deferred.

1. Net interest income

in EUR million	1-3 19	1-3 20
Financial assets at AC	1,305.5	1,342.5
Financial assets at FVOCI	51.0	49.2
Interest income	1,356.6	1,391.7
Non-trading financial assets at FVPL	17.0	16.6
Financial assets HfT	384.6	342.0
Derivatives - hedge accounting, interest rate risk	-15.9	-14.5
Other assets	28.2	32.4
Negative interest from financial liabilities	11.5	18.5
Other similar income	425.3	395.1
Interest and other similar income	**1,781.9**	**1,786.8**
Financial liabilities at AC	-271.2	-231.0
Interest expenses	-271.2	-231.0
Financial liabilities at FVPL	-103.8	-92.9
Financial liabilities HfT	-251.7	-249.7
Derivatives - hedge accounting, interest rate risk	42.9	36.0
Other liabilities	-17.6	-6.6
Negative Interest from financial assets	-19.6	-13.6
Other similar expenses	-349.8	-326.8
Interest and other similar expenses	**-621.0**	**-557.8**
Net interest income	**1,160.9**	**1,229.0**

In the reporting period an amount of EUR 20.3 million (EUR 20.3 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 -2.2 million (EUR 4.5 million).

2. Net fee and commission income

	1-3 19		1-3 20	
in EUR million	Income	Expenses	Income	Expenses
Securities	50.9	-8.9	73.1	-11.3
Issues	11.5	-1.3	11.4	-0.2
Transfer orders	36.4	-7.2	58.3	-10.7
Other	3.0	-0.3	3.5	-0.4
Clearing and settlement	1.0	-0.5	0.8	-0.7
Asset management	93.1	-12.8	102.3	-9.9
Custody	23.3	-4.3	24.2	-5.3
Fiduciary transactions	0.8	0.0	0.4	0.0
Payment services	273.2	-50.9	272.0	-52.9
Card business	82.0	-36.2	84.8	-43.2
Other	191.2	-14.7	187.2	-9.7
Customer resources distributed but not managed	52.7	-4.0	60.0	-3.4
Collective investment	3.2	-1.3	2.2	-0.5
Insurance products	38.8	-0.7	47.1	-0.6
Building society brokerage	4.1	-1.6	4.1	-1.5
Foreign exchange transactions	6.3	-0.2	6.4	-0.4
Other	0.2	-0.3	0.2	-0.4
Structured finance	0.0	0.0	0.0	0.0
Servicing fees from securitization activities	0.0	0.0	0.0	-0.5
Lending business	65.1	-20.7	47.1	-9.3
Guarantees given, guarantees received	17.7	-1.2	18.9	-0.8
Loan commitments given, loan commitments received	5.5	-0.1	5.5	-0.2
Other lending business	41.9	-19.4	22.8	-8.3
Other	35.6	-5.9	24.6	-7.1
Total fee and commission income and expenses	**595.8**	**-108.1**	**604.6**	**-100.4**
Net fee and commission income	**487.7**		**504.2**	

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	1-3 19	1-3 20
Financial assets HfT	0.1	0.2
Non-trading financial assets at FVPL	0.1	1.2
Financial assets at FVOCI	0.3	0.1
Dividend income	**0.5**	**1.5**

4. Net trading result

in EUR million	1-3 19	1-3 20
Securities and derivatives trading	117.8	-142.0
Foreign exchange transactions	33.2	-13.5
Result from hedge accounting	2.4	-1.9
Net trading result	**153.3**	**-157.4**

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

in EUR million	1-3 19	1-3 20
Result from measurement/sale of financial assets designated at FVPL	5.8	-4.6
Result from measurement/repurchase of financial liabilities designated at FVPL	-111.0	129.5
Result from financial assets and liabilities designated at FVPL	**-105.2**	**124.9**
Result from measurement/sale of financial assets mandatorily at FVPL	28.1	-87.4
Gains/losses from financial instruments measured at fair value through profit or loss	**-77.1**	**37.5**

6. Rental income from investment properties & other operating leases

in EUR million	1-3 19	1-3 20
Investment properties	20.2	24.6
Other operating leases	24.3	20.2
Rental income from investment properties & other operating leases	**44.6**	**44.8**

7. General administrative expenses

in EUR million	1-3 19	1-3 20
Personnel expenses	**-621.9**	**-630.0**
Wages and salaries	-467.7	-481.0
Compulsory social security	-116.9	-119.7
Long-term employee provisions	-11.8	-2.9
Other personnel expenses	-25.6	-26.3
Other administrative expenses	**-358.3**	**-344.8**
Deposit insurance contribution	-87.5	-88.3
IT expenses	-102.0	-105.9
Expenses for office space	-41.8	-41.5
Office operating expenses	-29.3	-28.9
Advertising/marketing	-43.2	-36.2
Legal and consulting costs	-31.0	-25.1
Sundry administrative expenses	-23.5	-18.8
Depreciation and amortisation	**-135.4**	**-136.5**
Software and other intangible assets	-45.6	-46.4
Owner occupied real estate	-34.1	-38.6
Investment properties	-7.4	-7.1
Customer relationships	-2.2	-2.0
Office furniture and equipment and sundry property and equipment	-46.1	-42.5
General administrative expenses	**-1,115.6**	**-1,111.2**

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

in EUR million	1-3 19	1-3 20
Gains from derecognition of financial assets at AC	0.3	0.6
Losses from derecognition of financial assets at AC	0.0	-0.1
Gains/losses from derecognition of financial assets measured at amortised cost	**0.3**	**0.4**

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

in EUR million	1-3 19	1-3 20
Sale of financial assets at FVOCI	1.3	-1.0
Sale of financial lease receivables	0.0	0.0
Derecognition of financial liabilities at AC	-0.6	-0.6
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**0.7**	**-1.7**

10. Impairment result from financial instruments

in EUR million	1-3 19	1-3 20
Financial assets at FVOCI	0.8	-0.3
Financial assets at AC	-9.2	-21.1
Net allocation to credit loss allowances	-30.5	-83.8
Direct write-offs	-10.0	-3.4
Recoveries recorded directly to the income statement	33.0	65.1
Modification gains or losses	-1.7	0.9
Lease receivables	5.2	-2.4
Credit loss allowances for loan commitments and financial guarantees given	38.9	-37.9
Impairment result from financial instruments	**35.8**	**-61.7**

11. Other operating result

in EUR million	1-3 19	1-3 20
Other operating expenses	**-161.6**	**-178.4**
Allocation to other provisions	-41.1	-40.6
Levies on banking activities	-38.8	-49.9
Banking tax	-26.5	-37.3
Financial transaction tax	-12.3	-12.6
Other taxes	-3.7	-3.9
Recovery and resolution fund contributions	-78.0	-84.0
Other operating income	**19.5**	**17.8**
Release of other provisions	19.5	17.8
Result from properties/movables/other intangible assets other than goodwill	3.0	-4.1
Result from other operating expenses/income	8.1	37.1
Other operating result	**-131.1**	**-127.6**

12. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 103.0 million (EUR 95.5 million), thereof EUR 6.5 million deferred tax income (EUR 0.1 million deferred tax expense).

13. Cash and cash balances

in EUR million	Dec 19	Mar 20
Cash on hand	6,032	6,876
Cash balances at central banks	3,466	14,504
Other demand deposits at credit institutions	1,195	1,650
Cash and cash balances	**10,693**	**23,031**

14. Derivatives held for trading

in EUR million	Dec 19			Mar 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**	**218,584**	**4,493**	**4,188**
Interest rate	122,129	2,609	2,728	138,386	2,905	3,024
Equity	311	11	3	549	10	9
Foreign exchange	66,888	423	571	78,912	1,547	1,154
Credit	226	3	3	511	5	1
Commodity	10	0	0	18	0	0
Other	183	23	0	209	25	0
Derivatives held in the banking book	**28,048**	**1,353**	**341**	**29,660**	**1,403**	**630**
Interest rate	16,891	1,254	226	18,756	1,348	247
Equity	5,823	52	36	5,606	18	171
Foreign exchange	4,812	41	78	4,779	34	207
Credit	348	6	1	352	3	4
Commodity	0	0	0	0	0	0
Other	174	1	0	166	0	0
Total gross amounts	**217,794**	**4,422**	**3,646**	**248,244**	**5,896**	**4,818**
Offset		-1,616	-1,640		-1,862	-1,872
Total		**2,805**	**2,005**		**4,034**	**2,945**

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	Mar 20
Equity instruments	65	42
Debt securities	2,889	3,629
General governments	1,918	2,615
Credit institutions	803	839
Other financial corporations	57	62
Non-financial corporations	111	114
Other financial assets held for trading	**2,954**	**3,672**

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

in EUR million	Dec 19		Mar 20	
	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	390	0	361
Debt securities	664	1,671	723	1,527
General governments	77	258	62	228
Credit institutions	563	160	636	116
Other financial corporations	25	1,062	26	1,010
Non-financial corporations	0	191	0	173
Loans and advances to customers	0	483	0	519
General governments	0	2	0	2
Other financial corporations	0	1	0	1
Non-financial corporations	0	137	0	135
Households	0	344	0	382
Financial assets designated and mandatorily at FVPL	664	2,544	723	2,407
Non-trading financial assets at fair value through profit and loss		**3,208**		**3,130**

17. Financial assets at fair value through other comprehensive income

Equity Instruments

The carrying amount of Erste Group's equity instruments FVOCI as of 31 March 2020 amounted to EUR 138.6 million (EUR 210.1 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 94.6 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
Mar 20										
Central banks	5	0	0	5	0	0	0	0	0	5
General governments	6,283	8	0	6,291	-2	0	0	-2	148	6,439
Credit institutions	1,040	27	0	1,067	-1	-1	0	-2	33	1,100
Other financial corporations	218	43	0	261	0	-2	0	-2	-6	255
Non-financial corporations	885	131	0	1,016	-2	-5	0	-7	-1	1,016
Total	**8,432**	**209**	**0**	**8,640**	**-6**	**-8**	**0**	**-14**	**174**	**8,815**
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 31 March 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						**Mar 20**
Stage 1	-6	-1	0	0	1	0	-6
Stage 2	-8	0	0	0	0	0	-8
Stage 3	0	0	0	0	0	0	0
Total	**-14**	**-1**	**0**	**0**	**1**	**0**	**-14**
	Jan 19						**Mar 19**
Stage 1	-8	-1	0	0	1	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**	**0**	**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
Mar 20									
Central banks	42	0	0	42	0	0	0	0	42
General governments	23,250	28	0	23,279	-4	0	0	-4	23,274
Credit institutions	3,435	1	0	3,436	-2	0	0	-2	3,434
Other financial corporations	150	9	0	160	0	-1	0	-1	159
Non-financial corporations	779	12	3	795	-1	-1	-2	-3	792
Total	**27,657**	**50**	**3**	**27,710**	**-7**	**-2**	**-2**	**-10**	**27,700**
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 31 March 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						**Mar 20**
Stage 1	-7	-1	0	0	1	0	-7
Stage 2	-2	0	0	0	1	0	-2
Stage 3	-2	0	0	0	0	0	-2
Total	**-11**	**-1**	**0**	**0**	**2**	**0**	**-10**
	Jan 19						**Mar 19**
Stage 1	-6	0	0	0	0	0	-6
Stage 2	0	0	0	0	-1	0	-1
Stage 3	-2	0	0	0	0	0	-2
Total	**-8**	**0**	**0**	**0**	**0**	**0**	**-9**

Loans and advances to banks

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
Mar 20									
Central banks	16,420	0	0	16,420	0	0	0	0	16,420
Credit institutions	7,840	13	2	7,855	-7	-1	-2	-10	7,844
Total	**24,260**	**13**	**2**	**24,275**	**-8**	**-1**	**-2**	**-11**	**24,264**
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 31 March 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						**Mar 20**
Stage 1	-7	-8	5	0	3	0	-8
Stage 2	0	0	0	0	-1	0	-1
Stage 3	-2	-1	0	0	1	0	-2
Total	**-9**	**-10**	**5**	**0**	**3**	**0**	**-11**
	Jan 19						**Mar 19**
Stage 1	-3	-15	14	0	0	0	-4
Stage 2	-3	0	0	0	1	0	-3
Stage 3	-2	0	0	0	0	0	-2
Total	**-9**	**-16**	**14**	**0**	**1**	**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
Mar 20											
General governments	6,216	329	3	4	6,551	-17	-4	-2	-1	-24	6,527
Other financial corporations	3,928	380	12	13	4,333	-6	-10	-8	0	-24	4,309
Non-financial corporations	59,142	8,203	1,500	211	69,057	-167	-296	-940	-85	-1,488	67,569
Households	68,559	7,668	1,836	137	78,200	-109	-281	-1,009	-38	-1,437	76,763
Total	**137,845**	**16,579**	**3,351**	**366**	**158,141**	**-299**	**-591**	**-1,958**	**-124**	**-2,973**	**155,168**
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								**Mar 20**
Stage 1	**-320**	**-54**	**16**	**94**	**-42**	**0**	**0**	**5**	**-299**
General governments	-17	-1	0	0	0	0	0	0	-17
Other financial corporations	-5	-2	0	2	-2	0	0	0	-6
Non-financial corporations	-176	-35	11	38	-8	0	0	2	-167
Households	-122	-16	5	54	-32	0	0	2	-109
Stage 2	**-506**	**-16**	**20**	**-191**	**92**	**0**	**0**	**9**	**-591**
General governments	-3	0	0	0	0	0	0	0	-4
Other financial corporations	-9	-1	0	-4	3	0	0	0	-10
Non-financial corporations	-243	-6	11	-82	20	0	0	3	-296
Households	-251	-9	9	-105	69	0	0	6	-281
Stage 3	**-2,003**	**-21**	**72**	**-22**	**-67**	**-1**	**58**	**26**	**-1,958**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-8	0	0	0	0	0	1	0	-8
Non-financial corporations	-965	-10	29	-8	-26	-1	31	10	-940
Households	-1,029	-10	42	-14	-41	0	27	16	-1,009
POCI	**-139**	**0**	**7**	**0**	**5**	**0**	**1**	**2**	**-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	-85
Households	-43	0	1	0	2	0	1	2	-38
Total	**-2,969**	**-90**	**115**	**-119**	**-11**	**0**	**60**	**42**	**-2,973**
	Jan 19								**Mar 19**
Stage 1	**-321**	**-59**	**23**	**92**	**-54**	**0**	**0**	**1**	**-318**
General governments	-16	0	0	1	-1	0	0	0	-16
Other financial corporations	-8	-2	4	2	-2	0	0	0	-7
Non-financial corporations	-169	-38	15	43	-22	0	0	1	-170
Households	-128	-19	4	45	-29	0	0	0	-126
Stage 2	**-455**	**-8**	**17**	**-93**	**73**	**0**	**0**	**0**	**-464**
General governments	-10	0	0	-1	4	0	0	0	-7
Other financial corporations	-5	-1	0	-1	2	0	0	3	-1
Non-financial corporations	-191	-2	8	-34	19	0	0	-3	-203
Households	-249	-4	9	-58	48	0	0	0	-253
Stage 3	**-2,341**	**-23**	**83**	**-17**	**-64**	**0**	**80**	**3**	**-2,280**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-40	-4	4	0	0	0	0	16	-24
Non-financial corporations	-1,133	-12	20	-6	-16	0	51	-15	-1,111
Households	-1,166	-6	58	-11	-48	0	29	2	-1,143
POCI	**-173**	**0**	**12**	**0**	**-5**	**2**	**0**	**1**	**-162**
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	-3	0	0	0	1	0	0	0	-2
Non-financial corporations	-97	0	8	0	-8	2	0	1	-93
Households	-73	0	4	0	2	0	0	0	-67
Total	**-3,290**	**-90**	**135**	**-19**	**-50**	**2**	**81**	**5**	**-3,225**

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	
Mar 20											
General governments	360	0	16	0	376	-1	0	0	0	-1	375
Credit institutions	3	0	0	0	3	0	0	0	0	0	3
Other financial corporations	64	0	4	0	68	0	0	0	0	0	68
Non-financial corporations	2,577	132	231	0	2,939	-10	-10	-98	0	-118	2,821
Households	748	18	17	0	783	-3	-1	-7	0	-11	773
Total	**3,753**	**150**	**267**	**0**	**4,171**	**-14**	**-10**	**-105**	**0**	**-130**	**4,040**
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								**Mar 20**
Stage 1	-15	-1	0	2	0	0	0	0	-14
Stage 2	-5	0	0	-2	-4	0	0	0	-10
Stage 3	-114	0	0	-3	4	0	2	6	-105
POCI	0	0	0	0	0	0	0	0	0
Total	**-134**	**-1**	**0**	**-2**	**-1**	**0**	**2**	**6**	**-130**
	Jan 19								**Mar 19**
Stage 1	-18	-1	0	1	2	0	0	0	-15
Stage 2	-3	0	0	-1	1	0	0	0	-3
Stage 3	-130	0	0	0	1	0	1	0	-128
POCI	0	0	0	0	0	0	0	0	0
Total	**-151**	**-1**	**0**	**0**	**4**	**0**	**1**	**0**	**-146**

20. Hedge accounting derivatives

in EUR million	Dec 19			Mar 20		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**11,234**	**460**	**296**	**12,014**	**458**	**301**
Interest rate	11,234	460	296	12,014	458	301
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**	**3,177**	**110**	**14**
Interest rate	3,280	20	79	2,920	109	11
Equity	0	0	0	0	0	0
Foreign exchange	252	1	2	258	1	3
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**	**15,191**	**568**	**315**
Offset	0	-350	-107		-342	-108
Total		**130**	**269**		**226**	**207**

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	
Mar 20											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	29	25	0	0	53	0	0	0	0	0	53
Credit institutions	17	2	0	0	19	0	0	0	0	-1	18
Other financial corporations	25	4	0	0	29	0	0	0	0	0	29
Non-financial corporations	450	728	49	7	1,235	-2	-3	-38	0	-43	1,192
Households	72	32	20	0	124	-3	-7	-15	0	-25	99
Total	**592**	**791**	**70**	**7**	**1,460**	**-5**	**-10**	**-54**	**0**	**-69**	**1,391**
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								**Mar 20**
Stage 1	-6	-1	0	0	2	0	0	0	-5
Stage 2	-10	0	1	-1	0	0	0	0	-10
Stage 3	-55	0	0	0	-2	0	2	1	-54
POCI	-1	0	1	0	0	0	0	0	0
Total	**-72**	**-1**	**2**	**-1**	**-1**	**0**	**2**	**2**	**-69**
	Jan 19								**Mar 19**
Stage 1	-5	-1	1	2	-1	0	0	0	-5
Stage 2	-19	0	0	0	1	0	0	0	-17
Stage 3	-98	-1	3	0	-1	0	10	1	-87
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-122**	**-3**	**4**	**1**	**-1**	**0**	**10**	**1**	**-110**

22. Other assets

in EUR million	Dec 19	Mar 20
Prepayments	123	154
Inventories	198	202
Sundry assets	680	835
Other assets	**1,001**	**1,191**

23. Other financial liabilities held for trading

in EUR million	Dec 19	Mar 20
Short positions	368	333
Equity instruments	35	29
Debt securities	333	303
Debt securities issued	48	44
Other financial liabilities held for trading	**416**	**377**

24. Financial liabilities at fair value through profit and loss

Debt securities issued

in EUR million	Dec 19	Mar 20
Subordinated debt securities issued	4,539	4,187
Other debt securities issued	8,471	7,941
Bonds	5,386	4,919
Other certificates of deposits/name certificates	872	856
Mortgage covered bonds	1,961	1,948
Public sector covered bonds	252	219
Debt securities issued	**13,011**	**12,128**

25. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 19	Mar 20
Overnight deposits	1,951	4,690
Term deposits	9,613	13,177
Repurchase agreements	1,577	2,836
Deposits from banks	**13,141**	**20,703**

Deposits from customers

in EUR million	Dec 19	Mar 20
Overnight deposits	**121,651**	**127,516**
Savings deposits	31,476	32,382
Other financial corporations	150	223
Non-financial corporations	1,992	2,323
Households	29,334	29,836
Non-savings deposits	90,174	95,135
General governments	5,339	8,716
Other financial corporations	5,705	6,365
Non-financial corporations	27,245	28,035
Households	51,886	52,018
Term deposits	**49,910**	**50,258**
Deposits with agreed maturity	43,508	43,858
Savings deposits	28,248	27,211
Other financial corporations	1,098	1,060
Non-financial corporations	1,323	1,376
Households	25,826	24,775
Non-savings deposits	15,261	16,648
General governments	3,294	3,056
Other financial corporations	2,488	4,035
Non-financial corporations	3,493	3,663
Households	5,985	5,894
Deposits redeemable at notice	6,402	6,400
General governments	12	14
Other financial corporations	86	97
Non-financial corporations	163	189
Households	6,140	6,100
Repurchase agreements	**1,505**	**3,665**
Other financial corporations	1,431	1,447
Non-financial corporations	65	0
Deposits from customers	**173,066**	**181,439**
General governments	**8,655**	**14,004**
Other financial corporations	**10,958**	**13,227**
Non-financial corporations	**34,281**	**35,585**
Households	**119,173**	**118,623**

Debt securities issued

in EUR million	Dec 19	Mar 20
Subordinated debt securities issued	1,439	1,446
Senior non-preferred bonds	505	668
Other debt securities issued	15,417	15,171
Bonds	2,929	2,651
Certificates of deposit	81	241
Other certificates of deposits/name certificates	237	231
Mortgage covered bonds	10,796	11,489
Public sector covered bonds	0	0
Other	1,374	558
Debt securities issued	**17,360**	**17,285**

26. Provisions

in EUR million	Dec 19	Mar 20
Long-term employee provisions	1,054	980
Pending legal issues and tax litigation	353	349
Loan commitments and financial guarantees given	293	331
CLA for loan commitments and financial guarantees in Stage 1	64	63
CLA for loan commitments and financial guarantees in Stage 2	75	94
CLA for loan commitments and financial guarantees - Defaulted	154	173
Other provisions	219	387
Provisions for onerous contracts	3	3
Other	216	384
Provisions	**1,919**	**2,046**

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 increased to 1.49% p.a. as of 31 March 2020 (31 December 2019: 0.95% p. a.) to reflect the rising interest rate levels. According to IAS 19 the resulting measurement adjustment for pension and severance payment provisions amounting to EUR 60.2 million (before tax) has been recognised in other comprehensive income those for jubilee provisions, in amount of EUR 5.6 million has been considered in the income statement.

27. Other liabilities

in EUR million	Dec 19	Mar 20
Deferred income	117	127
Sundry liabilities	2,252	2,918
Other liabilities	**2,369**	**3,045**

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 sporitel'ňa 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		Corporates		Group Markets		ALM&LCC	
	1-3 19	1-3 20	1-3 19	1-3 20	1-3 19	1-3 20	1-3 19	1-3 20
Net interest income	561.6	558.8	262.4	281.4	66.0	67.7	-15.4	2.7
Net fee and commission income	259.5	265.6	69.7	69.4	55.8	68.1	-20.5	-21.2
Dividend income	0.0	0.0	-0.2	0.5	0.1	0.2	0.6	0.1
Net trading result	25.5	27.8	20.2	-5.5	-2.7	-69.7	100.5	-117.6
Gains/losses from financial instruments at FVPL	0.6	-1.8	-1.4	-4.0	14.8	-24.6	-90.1	120.9
Net result from equity method investments	1.6	1.4	0.0	0.0	0.0	0.0	-2.0	0.8
Rental income from investment properties & other operating leases	6.0	6.0	26.4	27.1	0.0	0.0	8.4	7.2
General administrative expenses	-517.8	-521.9	-139.7	-135.7	-58.0	-57.2	-61.8	-52.5
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.0	0.1	0.0	0.0	6.3	0.1
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.1	0.1	0.0	0.0	-4.7	-0.1
Impairment result from financial instruments	-15.4	-40.4	40.6	-3.1	8.2	-5.2	1.8	-0.7
Other operating result	-11.7	-24.6	7.3	-15.3	-4.3	-7.6	-84.3	-85.8
Levies on banking activities	-16.4	-22.0	-6.5	-6.5	-0.9	-1.4	-9.7	-14.7
Pre-tax result from continuing operations	**310.0**	**271.0**	**285.4**	**214.9**	**79.8**	**-28.3**	**-161.1**	**-145.9**
Taxes on income	-48.2	-44.2	-52.0	-38.0	-15.9	9.1	16.7	4.1
Net result for the period	**261.8**	**226.8**	**233.4**	**177.0**	**64.0**	**-19.3**	**-144.4**	**-141.8**
Net result attributable to non-controlling interests	8.6	5.1	7.9	8.2	1.8	0.0	-6.9	-2.2
Net result attributable to owners of the parent	**253.2**	**221.6**	**225.6**	**168.8**	**62.2**	**-19.3**	**-137.5**	**-139.7**
Operating income	854.8	857.8	377.0	368.8	134.0	41.6	-18.5	-7.0
Operating expenses	-517.8	-521.9	-139.7	-135.7	-58.0	-57.2	-61.8	-52.5
Operating result	**337.0**	**335.9**	**237.4**	**233.1**	**75.9**	**-15.5**	**-80.3**	**-59.5**
Risk-weighted assets (credit risk, eop)	19,543	17,741	40,534	44,004	4,325	4,315	6,323	6,266
Average allocated capital	3,428	3,240	4,358	4,751	998	881	2,965	2,996
Cost/income ratio	60.6%	60.8%	37.0%	36.8%	43.3%	>100%	>100%	>100%
Return on allocated capital	31.0%	28.1%	21.7%	15.0%	26.0%	-8.8%	-19.7%	-19.0%
Total assets (eop)	61,564	62,977	54,611	58,819	52,774	43,089	48,967	68,626
Total liabilities excluding equity (eop)	86,501	90,448	28,372	32,129	39,478	42,763	50,269	53,769
Impairments	**-15.5**	**-40.5**	**40.9**	**-6.7**	**8.2**	**-5.2**	**0.7**	**-0.8**
Net impairment loss on financial assets AC	-16.6	-39.2	9.4	36.8	7.9	-4.6	-0.3	-1.8
Net impairment loss on financial assets FVOCI	0.0	0.0	0.1	0.3	0.0	0.0	0.9	-0.1
Net impairment loss on finance lease receivables	0.0	-2.0	5.4	-0.5	0.0	0.0	0.2	0.0
Net impairment loss on commitments and guarantees given	1.2	0.8	25.8	-39.6	0.4	-0.6	1.0	1.1
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	-0.1	-0.1	0.3	-3.6	0.0	0.0	-1.2	-0.1

Business segments (2)

	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
in EUR million	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**
Net interest income	256.8	266.7	17.3	22.0	12.2	29.7	1,160.9	1,229.0
Net fee and commission income	117.4	133.6	5.7	-1.5	0.0	-9.8	487.7	504.2
Dividend income	0.1	0.6	0.0	0.0	0.0	0.0	0.5	1.5
Net trading result	18.6	-4.7	5.5	36.9	-14.3	-24.4	153.3	-157.4
Gains/losses from financial instruments at FVPL	5.9	-53.4	-7.0	0.3	0.0	0.0	-77.1	37.5
Net result from equity method investments	0.0	0.0	2.2	1.0	0.0	0.0	1.8	3.3
Rental income from investment properties & other operating leases	10.0	10.1	1.7	-5.5	-8.0	-0.1	44.6	44.8
General administrative expenses	-282.5	-293.4	-260.2	-248.8	204.3	198.4	-1,115.6	-1,111.2
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.1	0.3	-6.0	0.0	0.3	0.4
Other gains/losses from derecognition of financial instruments not at FVPL	-0.6	-1.4	-0.1	-0.3	6.1	0.0	0.7	-1.7
Impairment result from financial instruments	1.4	-14.9	7.8	2.5	-8.7	0.0	35.8	-61.7
Other operating result	-9.6	-10.9	157.1	210.2	-185.6	-193.7	-131.1	-127.6
Levies on banking activities	-1.1	-1.1	-4.1	-4.3	0.0	0.0	-38.8	-49.9
Pre-tax result from continuing operations	**117.6**	**32.4**	**-69.9**	**17.2**	**0.0**	**0.0**	**561.8**	**361.3**
Taxes on income	-29.8	-16.1	33.6	-17.8	0.0	0.0	-95.5	-103.0
Net result for the period	**87.8**	**16.3**	**-36.3**	**-0.6**	**0.0**	**0.0**	**466.3**	**258.3**
Net result attributable to non-controlling interests	75.0	10.8	2.9	1.0	0.0	0.0	89.3	23.0
Net result attributable to owners of the parent	**12.8**	**5.5**	**-39.3**	**-1.7**	**0.0**	**0.0**	**377.0**	**235.3**
Operating income	408.9	352.9	25.5	53.4	-10.0	-4.7	1,771.7	1,663.0
Operating expenses	-282.5	-293.4	-260.2	-248.8	204.3	198.4	-1,115.6	-1,111.2
Operating result	**126.4**	**59.5**	**-234.7**	**-195.5**	**194.3**	**193.7**	**656.0**	**551.7**
Risk-weighted assets (credit risk, eop)	23,991	25,109	1,633	1,479	0	0	96,349	98,914
Average allocated capital	3,048	3,198	4,432	5,931	0	0	19,230	20,998
Cost/income ratio	69.1%	83.1%	>100%	>100%	>100%	>100%	63.0%	66.8%
Return on allocated capital	11.7%	2.1%	-3.3%	0.0%			9.8%	4.9%
Total assets (eop)	63,613	67,771	4,176	3,627	-41,999	-42,011	243,706	262,898
Total liabilities excluding equity (eop)	58,828	62,676	2,525	2,105	-42,023	-42,044	223,951	241,846
Impairments	**1.6**	**-14.9**	**7.5**	**0.4**	**-8.7**	**0.0**	**34.7**	**-67.7**
Net impairment loss on financial assets AC	-3.2	-17.8	2.4	5.5	-8.7	0.0	-9.2	-21.1
Net impairment loss on financial assets FVOCI	-0.1	0.6	-0.1	-1.1	0.0	0.0	0.8	-0.3
Net impairment loss on finance lease receivables	-0.4	0.1	0.0	0.0	0.0	0.0	5.2	-2.4
Net impairment loss on commitments and guarantees given	5.1	2.2	5.5	-1.9	0.0	0.0	38.9	-37.9
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	0.0	0.0	0.0	0.0	0.0	-1.1	-3.9

Geographical segmentation – overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**
Net interest income	510.8	540.3	621.2	653.3	28.9	35.4	1,160.9	1,229.0
Net fee and commission income	270.2	307.4	224.9	223.7	-7.4	-26.8	487.7	504.2
Dividend income	0.2	1.3	0.4	0.1	0.0	0.0	0.5	1.5
Net trading result	15.3	-79.7	58.2	34.3	79.7	-111.9	153.3	-157.4
Gains/losses from financial instruments at FVPL	6.1	-86.3	1.4	-2.6	-84.6	126.4	-77.1	37.5
Net result from equity method investments	-2.3	0.3	1.9	1.9	2.2	1.0	1.8	3.3
Rental income from investment properties & other operating leases	33.4	36.6	12.0	12.9	-0.8	-4.7	44.6	44.8
General administrative expenses	-564.6	-572.5	-487.0	-482.4	-64.1	-56.3	-1,115.6	-1,111.2
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.3	0.4	0.0	0.0	0.3	0.4
Other gains/losses from derecognition of financial instruments not at FVPL	-0.5	-1.5	-4.6	0.1	5.8	-0.3	0.7	-1.7
Impairment result from financial instruments	12.5	-63.2	23.3	-1.3	0.0	2.8	35.8	-61.7
Other operating result	-5.2	-29.3	-95.4	-112.2	-30.5	14.0	-131.1	-127.6
Levies on banking activities	-2.0	-2.0	-32.8	-43.6	-4.1	-4.3	-38.8	-49.9
Pre-tax result from continuing operations	**275.9**	**53.5**	**356.7**	**328.2**	**-70.8**	**-20.4**	**561.8**	**361.3**
Taxes on income	-62.6	-19.6	-66.9	-75.1	34.0	-8.3	-95.5	-103.0
Net result for the period	**213.3**	**33.9**	**289.8**	**253.1**	**-36.9**	**-28.7**	**466.3**	**258.3**
Net result attributable to non-controlling interests	79.0	14.9	7.4	7.1	2.9	1.0	89.3	23.0
Net result attributable to owners of the parent	**134.3**	**19.0**	**282.4**	**246.0**	**-39.8**	**-29.8**	**377.0**	**235.3**
Operating income	833.7	719.9	920.0	923.6	18.0	19.4	1,771.7	1,663.0
Operating expenses	-564.6	-572.5	-487.0	-482.4	-64.1	-56.3	-1,115.6	-1,111.2
Operating result	**269.1**	**147.4**	**433.0**	**441.2**	**-46.1**	**-36.9**	**656.0**	**551.7**
Risk-weighted assets (credit risk, eop)	52,065	53,396	42,051	43,320	2,233	2,198	96,349	98,914
Average allocated capital	6,826	6,983	6,877	7,029	5,527	6,987	19,230	20,998
Cost/income ratio	67.7%	79.5%	52.9%	52.2%	>100%	>100%	63.0%	66.8%
Return on allocated capital	12.7%	2.0%	17.1%	14.5%	-2.7%	-1.7%	9.8%	4.9%
Total assets (eop)	161,606	171,607	110,673	118,882	-28,574	-27,591	243,706	262,898
Total liabilities excluding equity (eop)	129,284	137,963	99,883	107,359	-5,216	-3,477	223,951	241,846
Impairments	**13.1**	**-63.2**	**21.9**	**-5.1**	**-0.3**	**0.7**	**34.7**	**-67.7**
Net impairment loss on financial assets AC	7.3	-58.9	-10.8	32.2	-5.6	5.6	-9.2	-21.1
Net impairment loss on financial assets FVOCI	-0.1	1.3	0.9	-0.5	0.0	-1.1	0.8	-0.3
Net impairment loss on finance lease receivables	3.9	2.0	1.3	-4.6	0.0	0.2	5.2	-2.4
Net impairment loss on commitments and guarantees given	1.3	-7.6	32.0	-28.4	5.6	-1.9	38.9	-37.9
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	0.3	0.0	-1.4	-3.9	0.0	0.0	-1.1	-3.9

Geographical area – Austria

	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
in EUR million	1-3 19	1-3 20	1-3 19	1-3 20	1-3 19	1-3 20	1-3 19	1-3 20
Net interest income	156.0	161.1	256.8	266.7	98.0	112.4	510.8	540.3
Net fee and commission income	96.8	106.1	117.4	133.6	55.9	67.7	270.2	307.4
Dividend income	0.0	0.0	0.1	0.6	0.1	0.7	0.2	1.3
Net trading result	13.4	5.2	18.6	-4.7	-16.7	-80.2	15.3	-79.7
Gains/losses from financial instruments at FVPL	-12.4	-5.3	5.9	-53.4	12.5	-27.6	6.1	-86.3
Net result from equity method investments	-0.1	0.2	0.0	0.0	-2.2	0.2	-2.3	0.3
Rental income from investment properties & other operating leases	9.3	14.1	10.0	10.1	14.2	12.4	33.4	36.6
General administrative expenses	-191.9	-188.8	-282.5	-293.4	-90.2	-90.2	-564.6	-572.5
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	-0.1	-0.6	-1.4	0.1	0.0	-0.5	-1.5
Impairment result from financial instruments	-6.2	-21.7	1.4	-14.9	17.3	-26.6	12.5	-63.2
Other operating result	-11.5	-16.9	-9.6	-10.9	15.9	-1.6	-5.2	-29.3
Levies on banking activities	-0.9	-0.9	-1.1	-1.1	0.0	0.0	-2.0	-2.0
Pre-tax result from continuing operations	**53.4**	**53.9**	**117.6**	**32.4**	**104.9**	**-32.8**	**275.9**	**53.5**
Taxes on income	-12.2	-15.2	-29.8	-16.1	-20.6	11.7	-62.6	-19.6
Net result for the period	**41.2**	**38.7**	**87.8**	**16.3**	**84.3**	**-21.1**	**213.3**	**33.9**
Net result attributable to non-controlling interests	2.5	2.6	75.0	10.8	1.5	1.6	79.0	14.9
Net result attributable to owners of the parent	**38.7**	**36.1**	**12.8**	**5.5**	**82.8**	**-22.6**	**134.3**	**19.0**
Operating income	263.0	281.4	408.9	352.9	161.8	85.6	833.7	719.9
Operating expenses	-191.9	-188.8	-282.5	-293.4	-90.2	-90.2	-564.6	-572.5
Operating result	**71.1**	**92.6**	**126.4**	**59.5**	**71.5**	**-4.7**	**269.1**	**147.4**
Risk-weighted assets (credit risk, eop)	12,406	12,991	23,991	25,109	15,667	15,295	52,065	53,396
Average allocated capital	1,677	1,728	3,048	3,198	2,101	2,058	6,826	6,983
Cost/income ratio	73.0%	67.1%	69.1%	83.1%	55.8%	>100%	67.7%	79.5%
Return on allocated capital	10.0%	9.0%	11.7%	2.1%	16.3%	-4.1%	12.7%	2.0%
Total assets (eop)	45,780	48,131	63,613	67,771	52,214	55,705	161,606	171,607
Total liabilities excluding equity (eop)	43,799	45,893	58,828	62,676	26,657	29,394	129,284	137,963
Impairments	**-6.2**	**-21.7**	**1.6**	**-14.9**	**17.7**	**-26.6**	**13.1**	**-63.2**
Net impairment loss on financial assets AC	-8.2	-18.1	-3.2	-17.8	18.7	-23.0	7.3	-58.9
Net impairment loss on financial assets FVOCI	0.0	0.0	-0.1	0.6	0.0	0.7	-0.1	1.3
Net impairment loss on finance lease receivables	0.0	-1.5	-0.4	0.1	4.3	3.4	3.9	2.0
Net impairment loss on commitments and guarantees given	1.9	-2.1	5.1	2.2	-5.7	-7.7	1.3	-7.6
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	0.3	0.0	0.0	0.0	0.3	0.0
Net impairment on other non-financial assets	0.0	0.0	-0.1	0.0	0.4	0.0	0.3	0.0

Geographical area – Central and Eastern Europe

	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**	**1-3 19**	**1-3 20**
Net interest income	276.0	291.9	107.4	110.7	103.3	111.7	52.9	55.1	68.1	68.5	13.5	15.3	621.2	653.3
Net fee and commission income	85.4	82.2	32.5	34.5	37.0	34.1	44.2	45.5	22.8	23.4	3.0	3.8	224.9	223.7
Dividend income	0.1	0.0	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.1
Net trading result	24.8	9.3	3.0	-0.4	12.6	14.2	9.3	6.0	7.3	4.3	1.3	0.8	58.2	34.3
Gains/losses from financial instruments at FVPL	0.7	4.6	-0.1	-4.1	-0.3	-0.8	1.0	-0.3	0.1	-2.0	0.0	0.0	1.4	-2.6
Net result from equity method investments	0.5	0.7	1.6	1.2	-0.5	-0.2	0.0	0.0	0.3	0.2	0.0	0.0	1.9	1.9
Rental income from investment properties & other operating leases	2.1	2.1	0.3	0.1	4.9	5.6	1.2	2.0	3.6	3.1	0.0	0.0	12.0	12.9
General administrative expenses	-188.0	-195.3	-71.1	-73.0	-99.2	-85.9	-59.6	-58.7	-55.2	-56.7	-13.8	-12.8	-487.0	-482.4
Gains/losses from derecognition of financial assets at AC	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.3	0.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.0	0.0	-6.2	0.0	1.5	0.1	0.1	0.0	0.0	0.0	-4.6	0.1
Impairment result from financial instruments	10.4	-24.3	-2.4	-11.3	8.6	44.2	5.2	3.9	0.5	-12.1	1.0	-1.8	23.3	-1.3
Other operating result	-27.5	-28.5	-9.0	-22.5	-6.7	-13.1	-28.1	-41.6	-24.2	-6.4	0.1	-0.1	-95.4	-112.2
Levies on banking activities	0.0	0.0	-8.0	-16.9	0.0	0.0	-24.8	-26.8	0.0	0.0	0.0	0.0	-32.8	-43.6
Pre-tax result from continuing operations	**184.9**	**142.7**	**62.4**	**35.3**	**53.5**	**110.0**	**27.5**	**12.4**	**23.4**	**22.5**	**4.9**	**5.3**	**356.7**	**328.2**
Taxes on income	-37.6	-28.8	-13.6	-7.3	-7.1	-31.5	-3.9	-3.3	-4.3	-4.1	-0.4	0.0	-66.9	-75.1
Net result for the period	**147.3**	**113.9**	**48.7**	**28.0**	**46.4**	**78.4**	**23.6**	**9.1**	**19.2**	**18.4**	**4.5**	**5.3**	**289.8**	**253.1**
Net result attributable to non-controlling interests	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	6.4	5.9	0.9	1.1	7.4	7.1
Net result attributable to owners of the parent	**147.3**	**113.9**	**48.7**	**28.0**	**46.4**	**78.3**	**23.6**	**9.1**	**12.8**	**12.5**	**3.6**	**4.2**	**282.4**	**246.0**
Operating income	389.7	390.7	144.9	142.1	157.0	164.7	108.5	108.4	102.2	97.7	17.8	20.0	920.0	923.6
Operating expenses	-188.0	-195.3	-71.1	-73.0	-99.2	-85.9	-59.6	-58.7	-55.2	-56.7	-13.8	-12.8	-487.0	-482.4
Operating result	**201.6**	**195.5**	**73.8**	**69.1**	**57.8**	**78.8**	**48.9**	**49.6**	**47.0**	**40.9**	**3.9**	**7.2**	**433.0**	**441.2**
Risk-weighted assets (credit risk, eop)	18,654	17,834	6,458	7,056	6,296	7,190	4,009	4,203	5,149	5,611	1,486	1,427	42,051	43,320
Average allocated capital	2,457	2,538	1,044	1,107	1,420	1,384	954	936	776	843	226	221	6,877	7,029
Cost/income ratio	48.3%	50.0%	49.1%	51.4%	63.2%	52.1%	54.9%	54.2%	54.0%	58.1%	77.8%	64.1%	52.9%	52.2%
Return on allocated capital	24.3%	18.1%	18.9%	10.2%	13.3%	22.8%	10.1%	3.9%	10.0%	8.8%	8.1%	9.7%	17.1%	14.5%
Total assets (eop)	58,000	61,814	17,797	18,721	14,721	16,236	8,624	9,426	9,678	10,401	1,852	2,284	110,673	118,882
Total liabilities excluding equity (eop)	53,086	56,523	16,318	16,999	12,904	14,402	7,479	8,307	8,453	9,124	1,643	2,004	99,883	107,359
Impairments	**10.7**	**-24.3**	**-1.8**	**-11.0**	**6.8**	**40.2**	**5.2**	**4.0**	**0.0**	**-12.3**	**1.0**	**-1.8**	**21.9**	**-5.1**
Net impairment loss on financial assets AC	-10.4	-23.2	-2.6	-10.6	-2.6	70.3	4.9	7.6	-0.9	-9.8	0.7	-2.0	-10.8	32.2
Net impairment loss on financial assets FVOCI	0.1	0.2	0.0	0.0	-0.1	-0.2	0.0	0.1	0.9	-0.4	0.0	0.0	0.9	-0.5
Net impairment loss on finance lease receivables	0.3	0.3	0.2	-0.6	0.1	0.2	0.3	-4.4	0.2	-0.1	0.3	0.0	1.3	-4.6
Net impairment loss on commitments and guarantees given	20.4	-1.5	0.0	-0.1	11.2	-25.9	0.1	0.7	0.3	-1.7	0.0	0.2	32.0	-28.4
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	0.4	0.0	0.6	0.3	-1.8	-4.0	0.0	0.0	-0.5	-0.2	0.0	0.0	-1.4	-3.9

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 279.3 billion (+2.0%; 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
Mar 20				
Cash and cash balances - demand deposits to credit institutions	1,651	-1	0	1,650
Debt instruments HfT	7,663	0	0	7,663
Non-trading debt instruments at FVPL	2,769	0	0	2,769
Debt securities	2,250	0	0	2,250
Loans and advances to banks	0	0	0	0
Loans and advances to customers	519	0	0	519
Debt instruments at FVOCI	8,640	-14	174	8,815
Debt securities	8,640	-14	174	8,815
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	210,126	-2,993	0	207,133
Debt securities	27,710	-10	0	27,700
Loans and advances to banks	24,275	-11	0	24,264
Loans and advances to customers	158,141	-2,973	0	155,168
Trade and other receivables	1,460	-69	0	1,391
Finance lease receivables	4,171	-130	0	4,040
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	226	0	0	226
Off balance-sheet exposures	42,640	-351	0	-
Total	**279,346**	**-3,558**	**174**	**233,687**
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
Mar 20												
Central banks	0	156	0	24	49	16,420	0	0	0	0	17	16,667
General governments	0	2,833	291	6,272	23,271	0	6,551	376	0	53	1,965	41,613
Credit institutions	1,651	3,607	752	1,067	3,436	7,855	0	3	225	19	970	19,585
Other financial corporations	0	417	1,036	261	160	0	4,333	68	0	29	1,502	7,806
Non-financial corporations	0	640	308	1,016	795	0	69,057	2,939	1	1,235	26,469	102,459
Households	0	10	382	0	0	0	78,200	783	0	124	11,716	91,215
Total	**1,651**	**7,663**	**2,769**	**8,640**	**27,710**	**24,275**	**158,141**	**4,171**	**226**	**1,460**	**42,640**	**279,346**
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
Mar 20					
Agriculture and forestry	1,976	762	297	115	3,150
Mining	638	97	10	54	798
Manufacturing	15,844	2,833	601	449	19,728
Energy and water supply	3,464	619	176	78	4,337
Construction	9,430	2,284	387	406	12,507
Trade	10,416	2,590	645	423	14,074
Transport and communication	6,493	907	350	103	7,853
Hotels and restaurants	3,508	1,263	248	232	5,252
Financial and insurance services	42,163	2,194	295	27	44,678
Real estate and housing	24,437	4,867	884	391	30,579
Services	11,616	1,680	451	257	14,004
Public administration	39,295	264	99	1	39,659
Education, health and art	2,954	462	178	206	3,799
Households	70,433	4,896	1,728	1,538	78,596
Other	292	1	40	0	333
Total	**242,957**	**25,719**	**6,391**	**4,279**	**279,346**

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
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
Mar 20					
Core markets	**206,082**	**23,032**	**5,656**	**3,843**	**238,613**
Austria	99,098	11,172	1,907	1,639	113,816
Czech Republic	51,611	5,688	1,310	641	59,250
Romania	15,805	1,548	553	382	18,288
Slovakia	19,403	1,825	906	455	22,588
Hungary	9,318	1,264	606	135	11,324
Croatia	8,349	1,185	310	570	10,414
Serbia	2,497	348	66	22	2,933
Other EU	**26,987**	**1,534**	**358**	**286**	**29,164**
Other industrialised countries	**4,792**	**208**	**39**	**13**	**5,053**
Emerging markets	**5,097**	**945**	**337**	**137**	**6,516**
Southeastern Europe/CIS	2,650	518	167	117	3,451
Asia	1,921	143	17	5	2,086
Latin America	151	16	10	14	191
Middle East/Africa	375	268	144	1	789
Total	**242,957**	**25,719**	**6,391**	**4,279**	**279,346**
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
Mar 20					
Retail	57,842	5,468	2,409	1,428	67,147
Corporates	64,848	10,415	2,163	1,426	78,853
Group Markets	20,581	1,179	203	2	21,965
ALM & LCC	42,946	234	100	24	43,306
Savings Banks	56,453	8,403	1,507	1,381	67,744
GCC	287	20	8	17	332
Total	**242,957**	**25,719**	**6,391**	**4,279**	**279,346**
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
Mar 20						
Retail	59,680	5,358	1,361	132	616	67,147
Corporates	67,093	7,173	1,182	278	3,127	78,853
Group Markets	13,900	96	2	0	7,967	21,965
ALM & LCC	42,845	82	24	0	354	43,306
Savings Banks	54,858	8,613	1,345	48	2,881	67,744
GCC	247	12	17	0	56	332
Total	**238,622**	**21,334**	**3,932**	**458**	**15,000**	**279,346**
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 312 million (EUR 339 million), the non-defaulted part to EUR 146 million (EUR 141 million).

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 20					
Austria	**134,874**	**13,925**	**2,495**	**2,238**	**153,532**
EBOe & Subsidiaries	40,017	3,997	586	509	45,109
Savings Banks	56,453	8,403	1,507	1,381	67,744
Other Austria	38,404	1,526	402	347	40,678
Central and Eastern Europe	**101,834**	**11,771**	**3,888**	**2,024**	**119,517**
Czech Republic	52,635	5,824	1,456	535	60,450
Romania	14,033	1,448	546	417	16,443
Slovakia	16,927	1,788	925	458	20,098
Hungary	7,607	1,228	536	111	9,482
Croatia	8,725	1,176	359	482	10,742
Serbia	1,908	307	66	21	2,302
Other	**6,250**	**23**	**8**	**17**	**6,297**
Total	**242,957**	**25,719**	**6,391**	**4,279**	**279,346**
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
Mar 20						
Austria	**123,429**	**15,398**	**2,158**	**70**	**12,476**	**153,532**
EBOe & Subsidiaries	39,589	4,115	504	6	894	45,109
Savings Banks	54,858	8,613	1,345	48	2,881	67,744
Other Austria	28,982	2,670	309	17	8,701	40,678
Central and Eastern Europe	**109,012**	**5,921**	**1,757**	**387**	**2,439**	**119,517**
Czech Republic	56,937	2,237	507	29	741	60,450
Romania	13,514	2,140	351	106	331	16,443
Slovakia	18,845	674	344	138	96	20,098
Hungary	8,081	286	76	87	953	9,482
Croatia	9,668	507	460	25	81	10,742
Serbia	1,967	77	18	2	237	2,302
Other	**6,181**	**14**	**17**	**0**	**85**	**6,297**
Total	**238,622**	**21,334**	**3,932**	**458**	**15,000**	**279,346**
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**

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
Mar 20					
Retail	49,714	4,871	2,162	1,409	58,156
Corporates	45,407	7,884	1,760	1,208	56,258
Group Markets	863	596	28	0	1,488
ALM & LCC	47	11	78	9	144
Savings Banks	38,798	6,757	1,305	1,301	48,162
GCC	28	14	2	17	61
Total	**134,856**	**20,134**	**5,334**	**3,944**	**164,268**
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
Mar 20							
Retail	51,522	4,785	1,343	128	57,778	379	58,156
Corporates	49,226	5,658	1,047	198	56,129	129	56,258
Group Markets	1,465	22	0	0	1,488	0	1,488
ALM & LCC	117	18	9	0	144	0	144
Savings Banks	39,810	7,025	1,272	47	48,153	8	48,162
GCC	29	12	17	0	58	3	61
Total	**142,169**	**17,519**	**3,688**	**374**	**163,749**	**519**	**164,268**
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
Mar 20					
Austria	**83,499**	**10,977**	**2,077**	**2,101**	**98,654**
EBOe & Subsidiaries	30,597	3,239	537	479	34,852
Savings Banks	38,798	6,757	1,305	1,301	48,162
Other Austria	14,104	980	235	321	15,640
Central and Eastern Europe	**51,310**	**9,140**	**3,256**	**1,826**	**65,532**
Czech Republic	22,424	4,498	1,245	499	28,666
Romania	6,941	1,080	457	321	8,799
Slovakia	11,856	1,530	833	411	14,631
Hungary	3,412	864	367	105	4,748
Croatia	5,447	911	294	469	7,122
Serbia	1,230	256	60	20	1,567
Other	**47**	**17**	**2**	**17**	**82**
Total	**134,856**	**20,134**	**5,334**	**3,944**	**164,268**
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
Mar 20							
Austria	**83,835**	**12,610**	**2,033**	**69**	**98,547**	**106**	**98,654**
EBOe & Subsidiaries	30,862	3,498	475	6	34,841	11	34,852
Savings Banks	39,810	7,025	1,272	47	48,153	8	48,162
Other Austria	13,164	2,087	287	16	15,553	87	15,640
Central and Eastern Europe	**58,286**	**4,895**	**1,637**	**304**	**65,122**	**410**	**65,532**
Czech Republic	26,182	1,951	473	28	28,635	31	28,666
Romania	6,823	1,617	286	74	8,799	0	8,799
Slovakia	13,568	631	343	88	14,631	0	14,631
Hungary	3,964	250	70	86	4,370	378	4,748
Croatia	6,279	371	447	25	7,122	0	7,122
Serbia	1,471	76	18	2	1,567	0	1,567
Other	**48**	**14**	**17**	**0**	**79**	**3**	**82**
Total	**142,169**	**17,519**	**3,688**	**374**	**163,749**	**519**	**164,268**
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 235 million (EUR 281 million), the non-defaulted part to EUR 139 million (EUR 134 million).

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.

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 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.

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).

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.

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.

Expected credit loss measurement

As described, 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.

Although ECL is expected to increase, considering the current high degree of uncertainty regarding the economic development we decided to re-assess the macroeconomic parameters – i.e. the update of the FLI (forward looking information) – in the second quarter of 2020 on the assumption the macro predictions should then be more reliable.

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.

Erste Group has assessed its industry exposures and prepared a heat map highlighting industries that are expected to be most affected by the COVID-19 situation. Clients within those industries (cyclical industries, transportation, hotels and leisure) were reviewed and those with – by expert assessment – higher risk were migrated to lifetime ECL. The industry heat map will be regularly reviewed. During the first quarter of 2020 such manual overlays were performed only in limited cases due to the high degree of uncertainties. They resulted in EUR 61 million ECL increase as of 31 March 2020.

Erste Group expects a significant increase in ECLs in the upcoming quarters based on
_ a deterioration of the credit risk parameters (mainly PDs) due to a FLI update
_ further manual portfolio overlays in affected industries and
_ an increase in defaults especially after state aid measures, in particular moratoria, are lifted.

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
Mar 20												
Retail	1,409	1,408	58,156	57,778	-1,192	592	591	2.4%	2.4%	84.6%	42.0%	42.0%
Corporates	1,208	1,190	56,258	56,129	-1,080	494	494	2.1%	2.1%	90.7%	40.9%	41.5%
Group Markets	0	0	1,488	1,488	-4	0	0	0.0%	0.0%	>500%	0.0%	0.0%
ALM & LCC	9	9	144	144	-14	0	0	5.9%	5.9%	159.6%	0.1%	0.1%
Savings Banks	1,301	1,299	48,162	48,153	-866	661	659	2.7%	2.7%	66.7%	50.8%	50.7%
GCC	17	15	61	58	-16	7	5	28.0%	25.8%	109.2%	39.2%	30.8%
Total	**3,944**	**3,921**	**164,268**	**163,749**	**-3,171**	**1,754**	**1,749**	**2.4%**	**2.4%**	**80.9%**	**44.5%**	**44.6%**
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
Mar 20											
Retail	51,522	4,785	1,343	128	-103	-241	-807	-40	5.0%	60.1%	30.9%
Corporates	49,226	5,658	1,047	198	-130	-200	-667	-82	3.5%	63.7%	41.6%
Group Markets	1,465	22	0	0	-3	0	0	0	2.0%	19.5%	100.0%
ALM & LCC	117	18	9	0	-1	-5	-8	0	26.3%	96.8%	0.0%
Savings Banks	39,810	7,025	1,272	47	-81	-164	-618	-3	2.3%	48.6%	5.5%
GCC	29	12	17	0	0	0	-16	0	0.0%	95.3%	0.0%
Total	**142,169**	**17,519**	**3,688**	**374**	**-318**	**-611**	**-2,117**	**-125**	**3.5%**	**57.4%**	**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
Mar 20												
Austria	**2,101**	**2,081**	**98,654**	**98,547**	**-1,387**	**1,058**	**1,056**	**2.1%**	**2.1%**	**66.7%**	**50.3%**	**50.7%**
EBOe & Subs	479	479	34,852	34,841	-299	269	269	1.4%	1.4%	62.5%	56.2%	56.2%
Savings Banks	1,301	1,299	48,162	48,153	-866	661	659	2.7%	2.7%	66.7%	50.8%	50.7%
Other Austria	321	303	15,640	15,553	-222	128	128	2.1%	1.9%	73.2%	39.8%	42.1%
CEE	**1,826**	**1,825**	**65,532**	**65,122**	**-1,767**	**690**	**689**	**2.8%**	**2.8%**	**96.8%**	**37.8%**	**37.7%**
Czech Republic	499	499	28,666	28,635	-496	136	136	1.7%	1.7%	99.3%	27.2%	27.2%
Romania	321	321	8,799	8,799	-405	126	125	3.7%	3.6%	126.1%	39.1%	39.1%
Slovakia	411	411	14,631	14,631	-338	164	164	2.8%	2.8%	82.1%	39.8%	39.8%
Hungary	105	104	4,748	4,370	-106	66	65	2.2%	2.4%	102.0%	62.8%	62.6%
Croatia	469	469	7,122	7,122	-392	194	194	6.6%	6.6%	83.5%	41.4%	41.4%
Serbia	20	20	1,567	1,567	-31	5	5	1.3%	1.3%	152.0%	23.2%	23.2%
Other	**17**	**15**	**82**	**79**	**-16**	**7**	**5**	**20.7%**	**18.8%**	**109.2%**	**39.2%**	**30.8%**
Total	**3,944**	**3,921**	**164,268**	**163,749**	**-3,171**	**1,754**	**1,749**	**2.4%**	**2.4%**	**80.9%**	**44.5%**	**44.6%**
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
Mar 20											
Austria	**83,835**	**12,610**	**2,033**	**69**	**-121**	**-282**	**-981**	**-3**	**2.2%**	**48.3%**	**3.8%**
EBOe & Subs	30,862	3,498	475	6	-27	-69	-203	0	2.0%	42.7%	0.1%
Savings Banks	39,810	7,025	1,272	47	-81	-164	-618	-3	2.3%	48.6%	5.5%
Other AT	13,164	2,087	287	16	-14	-48	-160	0	2.3%	55.7%	0.0%
CEE	**58,286**	**4,895**	**1,637**	**304**	**-197**	**-329**	**-1,120**	**-122**	**6.7%**	**68.4%**	**40.1%**
Czech Republic	26,182	1,951	473	28	-63	-87	-327	-19	4.4%	69.0%	66.6%
Romania	6,823	1,617	286	74	-34	-133	-216	-23	8.2%	75.5%	30.6%
Slovakia	13,568	631	343	88	-28	-51	-205	-54	8.0%	59.8%	60.8%
Hungary	3,964	250	70	86	-11	-27	-50	-17	10.9%	71.5%	20.2%
Croatia	6,279	371	447	25	-51	-25	-308	-9	6.7%	68.9%	34.3%
Serbia	1,471	76	18	2	-9	-7	-14	-1	9.1%	78.5%	35.1%
Other	**48**	**14**	**17**	**0**	**0**	**0**	**-16**	**0**	**0.0%**	**95.3%**	**0.0%**
Total	**142,169**	**17,519**	**3,688**	**374**	**-318**	**-611**	**-2,117**	**-125**	**3.5%**	**57.4%**	**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
Mar 20						
Austria	**90,071**	**0**	**3,161**	**3,021**	**2,400**	**98,654**
Erste Bank Oesterreich & Subsidiaries	33,405	0	1,304	54	89	34,852
Savings Banks	44,991	0	1,787	112	1,271	48,162
Other Austria	11,675	0	70	2,856	1,039	15,640
Central and Eastern Europe	**29,355**	**35,590**	**26**	**482**	**80**	**65,532**
Czech Republic	4,519	23,720	0	375	52	28,666
Romania	3,186	5,529	0	84	0	8,799
Slovakia	14,590	0	0	12	28	14,631
Hungary	1,339	3,403	4	3	0	4,748
Croatia	4,514	2,583	21	4	0	7,122
Serbia	1,207	355	0	4	0	1,567
Other	**20**	**40**	**4**	**18**	**0**	**82**
Total	**119,446**	**35,630**	**3,191**	**3,522**	**2,479**	**164,268**
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	Mar 20
Interest	3.2	3.4
Currency	0.8	1.0
Shares	0.4	3.8
Commodity	0.1	0.4
Volatility	0.7	0.5
Total	**3.1**	**6.1**

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 three months of the year Erste Group issued over EUR 1.3 billion (net of EUR 27 million buybacks), including two EUR benchmark transactions (EUR 500 million additional tier 1, EUR 750 million mortgage bond). On group level, Erste Group's total TLTRO II and III participation amounts to EUR 2.8 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 31 March 2020, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.4%, comfortably above the 3.0% minimum requirement defined in Article 92 Capital Requirements Regulation (CRR). Tier 1 capital amounted to EUR 17.8 billion at the reference date, while total leverage exposure stood at EUR 276.5 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 30.75% 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 21.7 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 7.1 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. Since London Clearing House has announced to switch to ESTER in June 2020 Erste Group expects that all bilateral contracts will be changed after that date. 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 33.5 million (2019: EUR 15.7 million) and the total DVA-adjustment amounted to EUR 4.7 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				Mar 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	2,414	5,107	185	7,706
Derivatives	7	2,720	79	2,805	10	3,858	165	4,034
Other financial assets held for trading	2,202	737	14	2,954	2,403	1,249	20	3,672
Non-trading financial assets - FVPL	1,985	302	922	3,208	1,883	305	942	3,130
Equity instruments	55	5	330	390	36	5	320	361
Debt securities	1,929	297	109	2,335	1,847	300	103	2,250
Loans and advances	0	0	483	483	0	0	519	519
Financial assets FVOCI	7,745	845	457	9,047	7,576	993	385	8,953
Hedge accounting derivatives	0	129	1	130	0	225	0	226
Total assets	**11,939**	**4,733**	**1,473**	**18,144**	**11,872**	**6,631**	**1,512**	**20,015**
Liabilities								
Financial liabilities HfT	371	2,045	5	2,421	341	2,970	11	3,322
Derivatives	3	1,997	5	2,005	8	2,925	11	2,945
Other financial liabilities held for trading	368	48	0	416	332	44	0	377
Financial liabilities - FVPL	366	12,821	308	13,494	349	11,944	297	12,591
Deposits from customers	0	265	0	265	0	252	0	252
Debt securities issued	366	12,556	89	13,011	349	11,692	86	12,128
Other financial liabilities	0	0	219	219	0	0	211	211
Hedge accounting derivatives	0	269	0	269	0	207	0	207
Total liabilities	**736**	**15,135**	**313**	**16,185**	**690**	**15,121**	**309**	**16,120**

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

in EUR million	Dec 19 Level 1	Dec 19 Level 2	Mar 20 Level 1	Mar 20 Level 2
Securities				
Net transfer from Level 1		-60		145
Net transfer from Level 2	60		-145	
Net transfer from Level 3	3	146	0	1
Purchases/sales/expiries	507	-670	74	518
Changes in derivatives	4	-256	4	1,234
Total year-to-date change	**574**	**-840**	**-67**	**1,898**

Level 1-Movements. The total amount of Level 1 financial assets decreased by EUR 67 million compared to last year. The volume of Level 1 securities decreased by EUR 71 million. The main changes are caused by matured or sold assets in the amount of EUR 890 million and by new investments in the amount of EUR 705 million. Furthermore, the increase in volume for securities that were allocated to Level 1 at both reporting dates (2020 and 2019) amounted to EUR 248 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 38 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by governments (EUR 36 million), but also to securities issued by other corporates (EUR 2 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 183 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 135 million), financial institutions (EUR 39 million) as well as securities issued by other corporates (EUR 9 million). The remaining positive change in the amount of EUR 11 million was due to partial purchases and fair value changes of reclassified instruments. The volume of derivatives increased by EUR 4 million.

Level 2-Movements – Financial Assets The total value of Level 2 financial assets increased between 2019 and 2020 by EUR 1,898 million. The Level 2 fair value change of securities and other receivables (up by EUR 664 million) can be explained for the most part by matured or sold positions in the amount of EUR 280 million and new investments in the amount of EUR 830 million. The decrease in volume for securities that have been allocated to Level 2 at both reporting dates 2020 and 2019 amounted to EUR 35 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 183 million was reclassified from Level 1 to Level 2 in 2020. This applies mainly to securities issued by governments (EUR 135 million), securities issued by financial institutions (EUR 39 million) and other corporates (EUR 9 million). Securities in the amount of EUR 38 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 5 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 6 million was reclassified from Level 3 to Level 2. The remaining increase in the amount of EUR 3 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 1,234 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 14 million. Whereas the fair value of derivatives increased by EUR 867 million, the portfolio of securities decreased by EUR 867 million. The fair value of client deposits decreased by EUR 13 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 compre-hensive income	Purchases	Sales	Settle-ments	Additions to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	
	Jan 20											**Mar 20**
Assets												
Financial assets HfT	93	16	0	5	0	-1	0	0	75	-1	-3	185
Derivatives	79	17	0	2	0	-1	0	0	72	-1	-2	165
Other financial assets held for trading	14	-1	0	3	0	0	0	0	3	0	0	20
Non-trading financial assets at FVPL	922	-9	0	82	-4	-6	0	0	1	-6	-38	942
Equity instruments	330	-8	0	4	-3	0	0	0	1	0	-2	320
Debt securities	109	-1	0	6	0	-1	0	0	0	-5	-4	103
Loans and advances	483	0	0	73	-1	-5	0	0	0	0	-31	519
Financial assets FVOCI	457	1	-4	13	-76	-3	0	0	9	-7	-4	385
Hedge accounting derivatives	1	0	0	0	0	0	0	0	0	0	0	0
Total assets	**1,473**	**7**	**-4**	**100**	**-80**	**-10**	**0**	**0**	**85**	**-13**	**-44**	**1,512**
Liabilities												
Financial liabilities HfT	5	3	0	0	0	0	0	0	4	0	0	11
Derivatives	5	3	0	0	0	0	0	0	4	0	0	11
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	308	-10	-2	48	-45	-1	0	0	0	0	0	297
Debt securities issued	89	0	-2	0	0	-1	0	0	0	0	0	86
Other financial liabilities	219	-10	0	48	-45	0	0	0	0	0	0	211
Total liabilities	**313**	**-8**	**-2**	**48**	**-45**	**-1**	**0**	**0**	**4**	**0**	**0**	**309**
	Jan 19											**Mar 19**
Assets												
Financial assets HfT	80	15	0	3	-1	0	0	0	0	-19	0	79
Derivatives	61	15	0	0	0	0	0	0	0	-18	0	58
Other financial assets held for trading	19	0	0	3	-1	0	0	0	0	0	0	21
Non-trading financial assets at FVPL	778	-6	0	24	-5	-33	1	0	10	-70	0	698
Financial assets at FVOCI	502	0	34	28	-1	-5	0	0	88	-36	-1	610
Total assets	**1,361**	**9**	**34**	**55**	**-6**	**-38**	**1**	**0**	**98**	**-126**	**-1**	**1,388**
Liabilities												
Financial liabilities HfT	14	0	0	0	0	0	0	0	2	-4	0	12
Derivatives	14	0	0	0	0	0	0	0	0	-4	0	10
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	2	0	0	2
Financial liabilities at FVPL	561	7	0	40	-29	-29	0	-30	0	1	0	550
Debt securities issued	96	1	0	15	0	0	0	0	0	1	0	114
Other financial liabilities	464	6	0	25	-29	-29	0	-30	0	0	0	436
Total liabilities	**574**	**8**	**0**	**40**	**-29**	**-29**	**0**	**-30**	**2**	**-2**	**0**	**563**

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 5 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by centeral governments (EUR 3 million) and other corporates (EUR 2 million). On the other hand securities in the amount of EUR 6 million were reclassified from Level 3 to Level 2. Thereof EUR 6 million are securities issued by financial institutions. Loans and advances which are measured at fair value under IFRS 9 increased by EUR 36 million. The additional change in Level 3 positions was on the one hand caused by a increase in derivative exposure of EUR 86 million and on the other hand by an decrease caused by the purchase, sale and market value change of securities in the amount of EUR 82 million.

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

in EUR million	1-3 19	1-3 20
Assets		
Financial assets HfT	14.8	16.6
Derivatives	14.7	17.2
Other financial assets held for trading	0.1	-0.6
Non-trading financial assets at FVPL	-6.2	-9.7
Equity instruments	-10.9	-7.7
Debt securities	2.6	-1.8
Loans and advances	2.0	-0.2
Financial assets at FVOCI	0.3	1.0
Total	**8.9**	**7.7**

For financial liabilities measured at fair value in Level 3 a valuation of EUR 11.5 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)
Mar 20					
Positive fair value of derivatives	Forwards, swaps, options	169.4	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.12%-100% (6.90%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	5.7	Discounted cash flow	Credit Spread	0.81%-6.21% (3.35%)
	Loans	519.2	Discounted cash flow	PD	0.17%-3.74% (0.9%)
				LGD	55.92%-56.26% (56.02%)
Financial assets at FVOCI	Fixed and variable coupon bonds	61.3	Discounted cash flow	Credit Spread	1.59%-7.27% (3.47%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	208.5	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.92-0.97 Recreation 0.82 Real Estate (General/Diversified) 0.71-0.75 Financial services (Non-bank & Insurance) 0.93-1.02 Banks (Regional) 0.58
				Country risk premium	Croatia 2.79%, Austria 0.33%-0.37% Czech Republic 0.65% Romania 2.04%, Russia 2.04%, Slovakia 0.79%, Spain 1.34%, Hungary 2.04% Resulting cost of equity based on above inputs: 5.91%-11.01%
		187.2	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		157.0	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 79.5 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°49.2°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

in EUR million	Dec 19 Positive	Dec 19 Negative	Mar 20 Positive	Mar 20 Negative
Derivatives	2.4	-3.2	6.1	-8.9
Income statement	2.4	-3.2	6.1	-8.9
Debt securities	11.6	-15.5	12.3	-16.4
Income statement	2.4	-3.2	4.1	-5.4
Other comprehensive income	9.2	-12.3	8.2	-11.0
Equity instruments	106.5	-67.6	102.9	-67.2
Income statement	62.7	-42.5	63.0	-44.8
Other comprehensive income	43.8	-25.1	39.9	-22.4
Loans	10.8	-29.7	11.5	-30.9
Income statement	10.8	-29.7	11.5	-30.9
Other comprehensive income	0.0	0.0	0.0	0.0
Total	**131.3**	**-116.0**	**132.8**	**-123.4**
Income statement	**78.3**	**-78.6**	**84.7**	**-90.0**
Other comprehensive income	**53.0**	**-37.4**	**48.1**	**-33.4**

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	Mar 20 Carrying amount (balance sheet)	Mar 20 Fair value
Assets				
Cash and cash balances	10,693	10,693	23,031	23,031
Financial assets at AC	204,162	208,412	207,133	213,462
Loans and advances to banks	23,055	23,072	24,264	24,294
Loans and advances to customers	154,344	157,342	155,168	160,547
Debt securities	26,764	27,998	27,700	28,621
Finance lease receivables	4,034	4,024	4,040	4,031
Assets held for sale	0	0	0	0
Trade and other receivables	1,408	1,412	1,391	1,387
Liabilities				
Financial liabilities at AC	204,143	204,392	219,988	220,502
Deposits from banks	13,141	13,337	20,703	20,858
Deposits from customers	173,066	172,948	181,439	181,844
Debt securities issued	17,360	17,531	17,285	17,240
Other financial liabilities	576	577	560	560
Financial guarantees and commitments				
Financial guarantees	n/a	82	n/a	69
Irrevocable commitments	n/a	357	n/a	511

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)

	1-3 19	1-3 20
Austria	**16,188**	**16,334**
Erste Group, EB Oesterreich and subsidiaries	9,046	9,198
Haftungsverbund savings banks	7,141	7,136
Outside Austria	**31,129**	**31,141**
Česká spořitelna Group	10,039	9,842
Banca Comercială Română Group	7,190	6,775
Slovenská sporiteľňa Group	4,065	4,067
Erste Bank Hungary Group	3,122	3,198
Erste Bank Croatia Group	3,192	3,306
Erste Bank Serbia Group	1,124	1,150
Savings banks subsidiaries	1,196	1,618
Other subsidiaries and foreign branch offices	1,200	1,185
Total	**47,317**	**47,475**

34. Own funds and capital requirements

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 31 March 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 (0.44%) and the systemic risk buffer (2.0%) requirements. Thus, overall Erste Group has to fulfill

_ a CET1 requirement of 10.42%,

_ a T1 requirement of 12.25% (+Pillar 1 AT1 requirement of 1.5% and 18.75% of 1.75% Pillar 2 requirement) and

_ a total own funds requirement of 14.69% (+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	Mar 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%	4.94%
Capital conservation buffer	2.50%	2.50%
Institution-specific countercyclical capital buffer	0.41%	0.44%
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%**	**10.42%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**12.66%**	**12.25%**
Total Own Funds requirement for Pillar 1 and Pillar 2	**14.66%**	**14.69%**

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 7.92%, its T1 requirement amounts to 9.75% and its total own funds requirement amounts to 12.19%.

[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	Mar 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
Retained earnings	26 (1) (c), 26 (2)	12,238	12,238	12,297
Interim profit	26 (2)	0	0	0
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	-1,458	-1,458	-1,724
Minority interest recognised in CET1	4 (1) (120) 84	4,448	4,448	4,528
Transitional adjustments due to additional minority interests	479, 480	0	0	0
Common equity tier 1 capital (CET1) before regulatory adjustments		**17,565**	**17,565**	**17,439**
Own CET1 instruments	36 (1) (f), 42	-68	-68	-48
Prudential filter: cash flow hedge reserve	33 (1) (a)	45	45	-88
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	406	406	153
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
Value adjustments due to the requirements for prudent valuation	34, 105	-85	-85	-127
Regulatory adjustments relating to unrealised gains (0%)	468	0	0	0
Regulatory adjustments relating to unrealised losses (0%)	467	0	0	0
Securitisations with a risk weight of 1,250%	36 (1) (k)	-45	-45	-43
Goodwill	4 (1) (113), 36 (1) (b), 37	-544	-544	-544
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	-741	-741	-696
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-102	-102	-102
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-158	-158	-93
Development of unaudited risk provisions during the year (EU No 183/2014)		-17	-17	-38
Other transitional adjustments CET1	469 to 472, 478, 481	0	0	0
Goodwill (0%)		0	0	0
Other intangible assets (0%)		0	0	0
IRB shortfall of provisions to expected losses (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
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
Own CET1 instruments (0%)	36 (1) (f)	0	0	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	0	0
Common equity tier 1 capital (CET1)	**50**	**16,252**	**16,252**	**15,809**
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	1,490	1,490	1,987
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	8	8	7
Additional tier 1 capital (AT1) before regulatory adjustments		**1,498**	**1,498**	**1,995**
Own AT1 instruments	52 (1) (b), 56 (a), 57	-2	-2	-2
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	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
Other transitional adjustments AT1	474, 475, 478, 481	0	0	0
Goodwill (0%)		0	0	0
Other intangible assets (0%)		0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0
Own CET1 instruments (0%)	36 (1) (f)	0	0	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0	0	0
Additional tier 1 capital (AT1)	**61**	**1,497**	**1,497**	**1,993**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**17,749**	**17,749**	**17,802**

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	Mar 20 Final
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**25**	**17,749**	**17,749**	**17,802**
Tier 2 capital (T2)				
Capital instruments and subordinated loans eligible as T2	62(a),63 to 65, 66(a), 67	3,660	3,660	2,934
Instruments issued by subsidiaries recognised in T2	87, 88	267	267	244
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0	0	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0	0	0
IRB excess of provisions over expected losses eligible	62 (d)	328	328	317
Tier 2 capital (T2) before regulatory adjustments		**4,255**	**4,255**	**3,495**
Own T2 instruments	63 (b) (i), 66 (a), 67	-44	-44	-32
Standardised approach general credit risk adjustments	62 (c)	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	0	0	0
IRB shortfall of provisions to expected losses (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
Tier 2 capital (T2)	**71**	**4,211**	**4,211**	**3,463**
Total own funds	**4 (1) (118) and 72**	**21,961**	**21,961**	**21,266**
Capital requirement	**92 (3), 95, 96, 98**	**9,448**	**9,484**	**9,637**
CET1 capital ratio	**92 (2) (a)**	**13.8%**	**13.7%**	**13.1%**
Tier 1 capital ratio	**92 (2) (b)**	**15.0%**	**15.0%**	**14.8%**
Total capital ratio	**92 (2) (c)**	**18.6%**	**18.5%**	**17.7%**

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.

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

in EUR million	Article pursuant to CRR	Dec 19 Total risk (final)	Dec 19 Capital requirement (final)	Mar 20 Total risk (final)	Mar 20 Capital requirement (final)
Total risk exposure amount	92 (3), 95, 96, 98	118,556	9,484	120,459	9,637
Risk-weighted assets (credit risk)	92 (3) (a) (f)	96,776	7,742	98,059	7,845
Standardised approach		18,458	1,477	18,666	1,493
IRB approach		78,318	6,265	79,387	6,351
Contribution to the default fund of a CCP		0	0	6	0
Settlement risk	92 (3) (c) (ii), 92 (4) (b)	0	0	2	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i), (c) (i) and (iii), 92 (4) (b)	2,795	224	3,364	269
Operational risk	92 (3) (e) 92 (4) (b)	14,934	1,195	14,704	1,176
Exposure for CVA	92 (3) (d)	569	46	856	68
Other exposure amounts (including Basel 1 floor)	3, 458, 459, 500	3,483	279	3,475	278

35. Events after the reporting date

There are no significant events after the balance sheet date except the ones described in the chapter “Accounting treatment of issues related to COVID-19”.

Abbreviations

ABA	Austrian Banking Act
AC	Amortized cost
AFS	Available for sale
ALM	Asset Liability Management
AT1	Additional Tier 1
BCR	Banca Comercială Românlă 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

Your Notes

We have prepared this report with the greatest possible care and have thoroughly checked the data presented in it. However, we cannot rule out errors associated with rounding, transmission, typesetting or printing. The English version of the report is a translation.

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

31 July 2020	Half-year financial report 2020
2 November 2020	Results for the first three quarters of 2020

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

www.erstegroup.com/investorrelations

Group Investor Relations

Erste Group Bank AG
Am Belvedere 1
1100 Vienna
Austria

Phone:	+43 (0) 5 0100 17731
Email:	investor.relations@erstegroup.com
Internet:	www.erstegroup.com/investorrelations

Thomas Sommerauer

Phone:	+43 (0) 5 0100 17326
Email:	thomas.sommerauer@erstegroup.com

Peter Makray

Phone:	+43 (0) 5 0100 16878
Email:	peter.makray@erstegroup.com

Simone Pilz

Phone:	+43 (0) 5 0100 13036
Email:	simone.pilz@erstegroup.com

Gerald Krames

Phone:	+43 (0) 5 0100 12751
Email:	gerald.krames@erstegroup.com

Ticker Symbols

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