

AUDITED FINANCIAL REPORTING

28 February 2022

AUDITOR'S REPORT

Management report

Consolidated financial statements

AUDITOR'S REPORT

AUDIT OPINION

Report on the Consolidated Financial Statements

Audit Opinion

Sparkassen-Prüfungsverband (Prüfungsstelle) and PwC Wirtschaftsprüfung GmbH, Vienna, – hereinafter referred to as 'we' – have audited the group consolidated financial statements of Erste Group Bank AG, Vienna, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended, and the notes to the group financial statements of Erste Group Bank AG.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 59a Austrian Banking Act (BWG) in conjunction with Section 245a Austrian Company Code (UGB).

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted auditing standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report.

We are independent of the Group in accordance with Austrian Generally Accepted Accounting Principles, the provisions of the Austrian Banking Act and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained until the date of this auditor's report is sufficient and appropriate to provide a basis for our opinion by this date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have structured key audit matters as follows:

- _ Description
- _ Audit approach
- _ Reference to related disclosures

Loss allowances for Loans and Advances to Customers (expected credit losses)

Description

Loss allowances represent management's best estimate of the credit losses expected with respect to the loan portfolio at balance sheet date. For loans and advances to customers in the amount of EUR 177 billion, measured at amortised cost, Erste Group Bank AG has recognized credit loss allowances in the amount of EUR 3.7 billion as at December 31, 2021. Due to the underlying assumptions and estimates, determining expected credit losses is inherently subject to substantial judgement applied by management.

Erste Group Bank AG has implemented internal guidelines and specific processes to identify significant increases in credit risk as well as loss events. These processes rely significantly on quantitative criteria and involve management judgement.

The following methods are applied to determine the level of loss allowances using scenario-based discounted cash flow methods as required by IFRS 9:

- _ For non-defaulted loans, loss allowances are generally determined collectively and measured at an amount equal to 12-month expected credit loss. If a significant increase in credit risk has occurred, loss allowances are measured as lifetime expected credit losses. Similarly, the lifetime expected credit losses are measured for those non-defaulted loans and advances whose credit risk at initial recognition could not be determined due to missing data at the first-time adoption of IFRS 9.
- _ For defaulted loans with a comparable risk profile that are considered not to be individually significant, expected credit losses are collectively assessed as well.
- _ The collectively measured loss allowances are calculated considering the probability of default, forward-looking information and parameters that reflect the expected cash flows as well as the expected proceeds from the realization of collateral. The parameters applied are estimated based on statistical models.

_ For defaulted loans considered to be significant at customer level, loss allowances are determined on a case-by-case basis. These loss allowances are calculated considering scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral. This process involves significant judgement and management estimates.

The models used for determining loss allowances are specific to the types of loan portfolios. There are country-specific features both with regard to products and economic environment that are relevant to the respective loss estimate resulting in heightened complexity of models and input factors.

The uncertainty which is inherent to estimating expected credit losses continues to be elevated due to the ongoing economic implications of the Covid-19 pandemic.

To reduce the economic impacts of the Covid-19 pandemic, numerous states introduced relief programs (e.g., moratoria, deferral options, support programs, hardship funds, short-hour schemes). Whereas such programs were able to reduce the economic impacts of the Covid-19 pandemic, they resulted in low default rates observed and made the timely reflection of a potential deterioration of the loan portfolio more difficult. Even though some of those relief programs were phased out, they still have a negative impact on the predictive power of statistical credit risk models.

Erste Group Bank AG therefore introduced additional sets of criteria based on which customer groups were identified that potentially were specifically affected by the economic impacts of the Covid-19 pandemic, and individually assessed the customers within those groups as to whether a significant increase in credit risk has occurred (Post Model Adjustment). These sets of criteria were continuously reviewed and revised during the year. Details on the methodology of this portfolio stage transfer due to the Covid-19 pandemic are presented in note 34.

With respect to the forward-looking information used for modelling expected credit losses, the continuing heightened uncertainty about the future economic developments that result from the pandemic was reflected by using macroeconomic assumptions and adjusting the relative weight of the scenarios applied.

In addition to the adjustment of forward looking information, further adjustments to the estimation methodology applied for estimating credit risk parameters were required in Erste Group Bank AG's view with respect to the Covid-19 pandemic.

Due to

- _ the substantial judgement to be applied by the management in defining of the Post Model Adjustments and determining and weighting macro-economic future scenarios,
 - _ a high degree of uncertainty due to the economic impact of the Covid-19 pandemic which led to a high degree of the auditor judgement,
 - _ the complexity of models and interdependent assumptions and the resulting audit effort and
 - _ the significance of credit loss allowances
- we identified this area to be a key audit matter.

Audit Approach

To assess the appropriateness of the expected credit losses, we:

- _ updated our understanding of the Expected Credit Loss calculation methodology applied by Erste Group Bank AG based on policies, documentation and interviews and re-assessed its compliance with the requirements of IFRS 9. We focused on adjustments to methods and processes made in order to capture the increased uncertainties of the present and future environment due to the Covid-19 pandemic in expected credit losses.
- _ evaluated the control activities in credit risk management and lending business processes and tested key controls, notably with respect to the approval of loans, ongoing monitoring and the early warning system as well as the processes around the early identification of default, as well as understood and evaluated the assessment of unlikeliness to pay ('UTP').
- _ evaluated control activities and tested key controls in the area of rating models and collateral valuation.
- _ evaluated model governance and validation processes and critically reviewed the information brought to the attention of the management. We evaluated, with the support from our credit risk modelling experts, the model governance and validation processes as well as the results of back-testing and model validations.
- _ evaluated the adequacy of credit risk parameters and models taking into consideration possible distortions of currently observed data due to various forms of state or private relief programs (e.g., low default rates due to payment moratoria) and local specifics, and critically assessed the plausibility of expectations and estimates that have been introduced due to aforementioned distortions to identify significant increases in credit risk of single customers or customer groups.
- _ assessed the correctness of the stage allocation for a sample of loans based on applicable policies.
- _ analyzed sensitivities and impacts of IFRS 9 specific model aspects.
- _ evaluated whether key components of the calculation of expected credit losses are correctly incorporated in the models by performing walkthroughs and reviewing steering tables.
- _ evaluated the adequacy and plausibility of forward-looking information integrated into the estimates. In this context, we have specifically compared the underlying macro-economic forecasts with external sources of information and critically assessed the individual weights attributed to scenarios.

_ tested, on a sample basis, whether default events have been identified in accordance with applicable policies, and evaluated whether events occurred that significantly affect the borrower's ability to repay loans and advances. Furthermore, we tested, on a sample basis, the adequacy of individual loan loss allowances assessing the scenarios adopted and the estimation of expected cash flows made.

Reference to related disclosures

For further details regarding the process of determining loss allowances as well as regarding the design of the models involved, we refer to the management's disclosures in section significant accounting policies point b) Covid-19 disclosures and Note 34. Credit Risk in the Notes to the consolidated financial statements.

Other Information

Management is responsible for other information. Other information comprises any information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report.

We obtained the consolidated corporate governance report in accordance with Section 267b UGB prior to the date of this auditor's report, all other parts of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover other information and we will not express any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 59a BWG in conjunction with Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the EU Regulation and with Austrian generally accepted auditing standards, which require the application of ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- _ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- _ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- _ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- _ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- _ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- _ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

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

Management is responsible for the preparation of the management report for the Group in accordance with the Austrian Company Code and the special legal requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

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

Statement

Based on the findings during the audit of the consolidated financial statements and the obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

Additional Information in accordance with Article 10 of the EU Regulation

Pursuant to Sections 23 and 24 Austrian Savings Bank Act (SpG), Sparkassen-Prüfungsverband (Prüfungsstelle) is the statutory auditor of Erste Group Bank AG, Vienna. In accordance with Section 23 (3) SpG in conjunction with Sections 60 and 61 BWG, the Company is subject to an audit, the consolidated financial statements are also subject to a statutory audit.

At the ordinary general meeting dated November 10, 2020 and pursuant to Section 1 (1) of the Auditing Rules for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2021 and, subsequently, was engaged by the supervisory board. At the ordinary general meeting dated May 19, 2021 PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2022 and, subsequently, was engaged by the Supervisory Board. Since 2017 PwC Wirtschaftsprüfung GmbH, Vienna, has constantly been appointed as additional auditor.

We confirm that the audit opinion in the 'Report on the Consolidated Financial Statements' section is consistent with the additional report to the audit committee referred to in Article 11 of the EU Regulation.

We declare that we did not provide any prohibited non-audit services (Article 5 (1) of the EU Regulation) and that we remained independent of the audited company in conducting the audit.

Responsible Engagement Partner

Responsible for the proper performance of the engagement are Mr. Herwig Hierzer, Austrian Certified Public Accountant (Sparkassen-Prüfungsverband), and Ms. Dorotea-E. Rebmann, Austrian Certified Public Accountant (PwC Wirtschaftsprüfung GmbH, Vienna).

We draw attention to the fact that the English translation of this auditor's report according to Section 274 of the Austrian Commercial Code (UGB) is presented for the convenience of the reader only and that the German wording is the only legally binding version.

Vienna, 28 February 2022

Sparkassen-Prüfungsverband

Prüfungsstelle
(Bank Auditor)

Herwig Hierzer
Austrian Certified Public Accountant

Stephan Lugitsch
Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

Dorotea-E. Rebmann
Austrian Certified Public Accountant

This report is a translation of the original report in German, which is solely valid. Publication and sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. For deviating versions, the provisions of Section 281 (2) UGB apply.

Management report

ECONOMIC ENVIRONMENT

The global economy experienced an exceptionally strong recovery in 2021, despite temporary pandemic-related lockdown measures imposed by most countries around the globe. This recovery was characterised by sharp rebounds of most of the major economies, most notably the United States, owing to substantial fiscal support. In many emerging markets and developing economies a slower pace of vaccination – often linked to later availability – and a partial withdrawal of macroeconomic support offset some of the benefits of strengthening external demand and elevated commodity prices. Among emerging and developing markets, China and India again outperformed other major economies. Most industries around the globe performed well, but the services sectors struggled to overcome headwinds from the pandemic-induced lockdown measures. Although labour markets recovered at a faster pace than during the global financial crisis, employment remained below its pre-pandemic level. The broad-based global GDP growth was mainly driven by recovering consumption and investments. Manufacturing was constrained by supply chain disruptions, which were temporarily exacerbated by the blockage of the Suez Canal in March 2021 and by the closure of some of the major harbours in China. Supply chain disruptions were also a main driver of inflation in 2021. The sharp rise in consumer goods prices reflected a huge surge in demand, fuelled by stimulus measures, particularly in the United States. Commodity prices have seen a sharp rise with many well above their pre-pandemic levels. Oil demand continued to remain strong. Metal and agricultural prices increased substantially. Overall, global real GDP increased by 5.9%¹

Among the world's major central banks only the Bank of England increased its policy rate in 2021. The Federal Reserve (Fed), the Bank of Japan and the European Central Bank (ECB) left their base rates unchanged throughout the year. While central banks continued their pandemic-era bond buying programmes, both the Fed and the ECB indicated in the second half of the year plans to reduce the monthly asset purchases in the future.

The economic performance of the United States was strong in 2021. The US economy recovered quicker than most advanced economies, supported by greater amounts of fiscal relief. Surging personal income has boosted consumption. The unemployment rate declined significantly to 3.9%². The American Rescue Act, signed in March 2021, offered USD 1.9 trillion in additional fiscal support, bringing the cumulative fiscal relief provided since the beginning of the pandemic to over one-quarter of GDP – an unprecedented level of support in peacetime. The Fed indicated that its expansive monetary policy since the beginning of the pandemic was coming to a close to respond to rising inflation. In December 2021, it announced to end its pandemic-era bond purchases in March 2022,

paving the way for interest rate hikes, as policymakers voiced concerns over high inflation against the backdrop of a steady labour market recovery. By the end of 2021, the Fed had bought over USD 4 trillion worth of Treasuries and other securities. Real GDP in the US grew by 5.6%³ in 2021.

The euro area also rebounded with its real GDP growing by 5.2%⁴. France, Italy, and Spain outperformed Germany as the latter was significantly more impacted by shortages of raw materials, intermediate goods, semiconductors, in particular for the automotive industry, but also lumber for the construction sector. Summer tourism was supported by less strict travel restrictions. Households responded to the temporary relaxations of containment measures with spending sprees that propelled private consumption growth in the European Union. Overall, the rebound of economic activity was broad-based, with all components of domestic demand contributing positively. Growth was also supported by improving labour markets. The Recovery and Resilience Facility of the European Commission, coupled with the NextGenerationEU, a fund created in 2020, is the largest stimulus package ever financed in Europe. Surging energy prices, most notably for natural gas and electricity led to higher inflation, prices for electricity and gas increased five-fold in the course of the year and reached new highs in December 2021. The ECB has maintained an accommodative monetary policy. It confirmed to continue its asset purchases under the Pandemic Emergency Purchase Programme (PEPP) until at least the end of March 2022, and net purchases under the asset purchase programme (APP) continued at a monthly pace of EUR 20 billion. Refinancing operations, notably the third series of the targeted longer-term refinancing operations (TLTRO III), continued to provide liquidity to euro area banks to support the flow of credit to households and enterprises. The ECB kept its discount rate at zero throughout 2021.

In line with the European development, Austria experienced an economic rebound in 2021. Due to the rapid recovery and progress towards normalisation in many sectors, the Austrian government started to adjust its Covid-support programmes from mid-2021 by reducing or withdrawing measures in sectors where conditions improved. In November 2021, however, due to the sharp increase of infection rates and medical capacity being stretched to its limits, the government imposed a new nationwide lockdown until mid-December. As this lockdown lasted only a few weeks it did not have a drastic impact on the overall economic performance. The easing of travel restrictions led to a recovery in the economically important tourism sector. After a very strong start of the year, the Austrian export industry faced headwinds from supply chain disruptions but still contributed to growth. The economic rebound was also supported by private consumption and considerable increases

¹ IMF: World Economic Outlook Update, January 2022: Rising Caseloads, A Disrupted Recovery, and Higher Inflation (imf.org) (Download on 16 February 2022)

² Bureau of Labor Statistics: The Employment Situation - January 2022 (bls.gov), Household Data, p. 8 (Download on 16 February 2022)

³ IMF: World Economic Outlook Update, January 2022: Rising Caseloads, A Disrupted Recovery, and Higher Inflation (imf.org) (Download on 16 February 2022)

⁴ IMF: World Economic Outlook Update, January 2022: Rising Caseloads, A Disrupted Recovery, and Higher Inflation (imf.org) (Download on 16 February 2022)

in investments. Rising oil and gas prices drove the noticeable increase of inflation over the course of the year. Overall, average inflation amounted to 2.8%⁵ in 2021. Short-time work schemes helped to mitigate the effect of the economic downturn on the labour market. The unemployment rate stood at 6.2%⁶. The Covid-19 crisis management fund set up in March 2020 continued to finance temporary support measures such as fixed cost subsidies as well as various measures to compensate for losses or shortfalls in sales during the various lockdown periods. In 2021, the Austrian economy grew faster than expected and GDP per capita amounted to EUR 45,600⁷ at year-end.

Central and Eastern European economies performed well despite temporary lockdown measures. The fast recovery was mainly driven by household consumption and investments while supply chain disruptions have impacted industrial output and exports. The supply bottlenecks particularly hit the Czech, Slovak and Hungarian automotive industries. The Croatian economy was strongly supported by a better than expected performance of the country's dominant tourism industry. In Romania, the country's important agricultural sector also supported economic growth. Government measures helped cushion the negative impact of the periodic restrictions on employment and fiscal packages prevented household incomes to be dented. As a result, unemployment rates in CEE increased only modestly and remained low compared to many Western European countries. In most CEE countries, the total debt relative to the GDP stayed below its pre-crisis peak level. Many of the region's central banks increased their key rates in the course of the year. The interest rate hikes of the Czech National Bank were the most pronounced but Poland, Hungary and Romania also increased their policy rates numerous times in the second half of the year. Supply-side constraints, higher service and energy price pressures, together with food prices and some local factors such as imputed rents or tightness of the local labour markets contributed to inflationary pressure across the region. The Czech koruna was the only regional currency that appreciated against the euro in 2021, mainly due to monetary tightening of the Czech National Bank. Other CEE currencies, such as the Romanian leu, the Hungarian forint or the Polish zloty slightly depreciated against the euro. Overall, CEE economies developed positively with GDP growth rates ranging from 3.0%⁸ in Slovakia to a double-digit figure in Croatia⁹ in 2021.

Overall, the Covid-19 pandemic had no material impact on the economic recovery of Erste Group's markets in 2021. The banking sector in the region developed positively. This is reflected in net loan growth as well as in increased operating revenues. Erste Group is of the opinion that the moratoria introduced due to the Covid-19 pandemic in 2020 met the conditions as defined in the EBA guidelines published in the past two years 2020. The relief offered to borrowers therefore did not lead to a significant increase in credit risk.

⁵ Statistik Austria: http://www.statistik.at/web_de/statistiken/wirtschaft/preise/verbraucherpreisindex_vpi_hvpi/022835.html (Download on 16 February 2022)

⁶ Statistik Austria: Arbeitslose (internationale Definition) – Monatsschätzer (statistik.at) (Download on 16 February 2022)

⁷ Statistik Austria: https://pic.statistik.at/web_de/statistiken/wirtschaft/volkswirtschaftliche_gesamtrechnungen/index.html (Download on 16 February 2022), 2020 data amended by GDP growth

PERFORMANCE IN 2021

P&L data of 2021 is compared with data of 2020, balance sheet data as of 31 December 2021 is compared to data as of 31 December 2020.

Acquisitions and disposals in Erste Group in 2021 did not have any significant impact and therefore had no effect on the rates of change stated below.

Overview

Net interest income increased to EUR 4,975.7 million (+4.2%; EUR 4,774.8 million), primarily due to rate hikes in the Czech Republic and in Hungary, strong volume growth in all markets and a positive one-off effect resulting from TLTRO III take-up in Austria and Slovakia. **Net fee and commission income** rose to EUR 2,303.7 million (+16.5%; EUR 1,976.8 million) supported by a strong economic recovery and rising equity markets. Increases were posted across all key fee and commission categories and core markets – most notably Austria, with significant growth seen in particular in payment services and in asset management. **Net trading result** declined to EUR 58.6 million (EUR 137.6 million); the line item **gains/losses from financial instruments measured at fair value through profit or loss** rose to EUR 173.2 million (EUR 62.0 million). The development of these two line items was driven mostly by valuation effects, apart from a rise in income from the foreign exchange business in net trading result. **Operating income** increased to EUR 7,742.0 million (+8.2%; EUR 7,155.1 million).

General administrative expenses were up at EUR 4,306.5 million (+2.0%; EUR 4,220.5 million), personnel expenses rose to EUR 2,578.1 million (+2.3%; EUR 2,520.7 million). Other administrative expenses increased to EUR 1,180.3 million (+1.9%; EUR 1,158.9 million). Payments into deposit insurance schemes included in other administrative expenses decreased to EUR 122.4 million (EUR 132.2 million). Depreciation and amortisation rose to EUR 548.0 (+1.3%; EUR 540.9 million). The **operating result** was up markedly at EUR 3,435.5 million (+17.1%; EUR 2,934.6 million) and the **cost/income ratio** (see glossary for definition) improved significantly to 55.6% (59.0%).

Due to net allocations, the **impairment result from financial instruments** amounted to EUR -158.8 million or 9 basis points of average gross customers loans (EUR -1,294.8 million or 78 basis points). Net allocations to provisions for loans and advances as well as for commitments and guarantees given were posted in the Czech Republic, Romania, Croatia, Serbia and Hungary, but generally remained at a very low level. A positive contribution came from income from the recovery of loans already written off as well as from

⁸ European Commission: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/slovakia/economic-forecast-slovakia_en (Download on 18 February 2022)

⁹ European Commission: https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/slovakia/economic-forecast-slovakia_en (Download on 18 February 2022)

releases, most notably in Austria (in the Savings Banks segment). In the comparative period, updated risk parameters with forward looking information related to Covid-19 had resulted in high net allocations to provisions for loans and advances as well as for commitments and guarantees given. The **NPL ratio** (see glossary for definition) based on gross customer loans improved to a historic low at 2.4% (2.7%). The **NPL coverage ratio** (see glossary for definition) (excluding collateral) increased to 90.9% (88.6%).

Other operating result amounted to EUR -310.5 million (EUR -278.3 million). This deterioration was attributable to valuation effects and higher expenses for the annual contributions to resolution funds; the latter rose – most strongly in Austria and Romania – to EUR 108.6 million (EUR 93.5 million). Banking levies declined to EUR 73.5 million (EUR 117.7 million), primarily due to the abolition of banking tax in Slovakia and lower levies in Austria. At present, banking levies are payable in two core markets: in Hungary, banking tax amounted to EUR 15.0 million (EUR 14.5 million) and transaction tax to another EUR 48.0 million (EUR 44.0 million). In Austria, banking tax equalled EUR 10.5 million (EUR 25.5 million).

Taxes on income rose to EUR 525.2 million (EUR 342.5 million). The minority charge increased to a record EUR 484.8 million (EUR 242.3 million) due to significantly higher earnings contributions of the savings banks. The **net result attributable to owners of the parent** rose to EUR 1,923.4 million (EUR 783.1 million) on the back of the strong operating result and low risk costs.

Cash earnings per share (see glossary for definition) amounted to EUR 4.18 (reported EPS: EUR 4.17) versus EUR 1.59 (reported EPS: 1.57) in the previous year.

Cash return on equity (see glossary for definition), i.e. return on equity adjusted for non-cash expenses such as goodwill impairment and straight-line amortisation of customer relationships, stood at 11.7% (reported ROE: 11.6%) versus 4.7% (reported ROE: 4.7%) in the previous year.

Total assets increased to EUR 307.4 billion (+10.8%; EUR 277.4 billion). On the asset side, cash and cash balances increased, primarily in Austria, to EUR 45.5 billion (EUR 35.8 billion), loans and advances to banks declined to EUR 21.0 billion (EUR 21.5 billion). **Loans and advances to customers** (net) rose to EUR 180.3 billion (+8.6%; EUR 166.1 billion). On the liability side, deposits from banks grew significantly to EUR 31.9 billion (EUR 24.8 billion) as a result of increased ECB refinancing (TLTRO III). **Customer deposits** rose in all core markets – most strongly in Austria and the Czech Republic – to EUR 210.5 billion (+10.2%; EUR 191.1 billion). The **loan-to-deposit ratio** (see glossary for definition) declined to 85.6% (86.9%).

The **common equity tier 1 ratio** (CET 1, CRR final, see glossary for definition) stood at 14.5% (14.2%), the **total capital ratio** (see glossary for definition) at 19.1% (19.7%).

OUTLOOK

Erste Group's goal for 2022 is to again achieve a double-digit return on tangible equity (ROTE). Among the factors that will support achievement of this goal is the continued strong economic performance of all core markets – Austria, Czech Republic, Slovakia, Hungary, Romania, Croatia and Serbia – and, on this basis, an improvement in the operating result and a continued benign risk environment. A continuation or further escalation of Covid-19 measures by governments as well as potential – and as yet unquantifiable – (geo-)political, regulatory or economic risks may render meeting these goals more challenging.

Erste Group's core markets are expected to post real GDP growth in the order of 3-5% in 2022. Inflation is set to remain a key theme throughout the year but at the same time is expected to remain broadly stable at elevated 2021 levels. In line with the strong economic outlook unemployment rates are expected to decline from already low levels in all markets. In most countries, sustained competitiveness should again result in sustainable current account balances. The fiscal situation should likewise improve again after significant budget deficits in 2021. Public debt to GDP is projected to improve across the board, albeit from elevated levels.

Against this backdrop, Erste Group expects net loan growth in the mid-single digits. This performance as well as interest rate tailwinds should lead to an at least mid-single-digit increase in net interest income despite negative policy rates in the euro zone. The second most important income component – net fee and commission income is expected to rise in the low to mid-single digits, following the exceptional performance in 2021. As in 2021, positive momentum should again come from asset management and securities business, assuming a continued constructive capital markets environment. Insurance brokerage as well as payment services fees are also expected to contribute. The net trading and fair value result is expected to come in at a similar level as in the previous year. This, however, will depend substantially on the financial market environment. The remaining income components are forecast to remain, by and large, stable. Overall, operating income should increase in 2022. Operating expenses are expected to rise at a lower level than operating income, thus resulting in a cost income ratio of below 55% in 2022, significantly earlier than planned (2024). In addition, Erste Group will continue to invest in IT in 2022 and thus strengthen its competitive position, with a focus on progressive IT modernisation, back office digitalisation and further development of the digital platform George.

Based on the robust macro outlook described above, risks costs should remain at a low level in 2022. While precise forecasting is hard at current low risk cost levels, Erste Group believes that in 2022 risk costs will be below 20 basis points of average gross customer loans. The NPL ratio is expected below 3.0%.

Other operating result is expected to remain unchanged in the absence of significant one-off effects. Assuming a low effective

group tax rate of about 19% and similar minority charges as in 2021, Erste Group aims to achieve a double-digit ROTE. Erste Group's CET1 ratio is expected to remain strong. Consequently, Erste Group will propose a dividend of EUR 1.6 per share for the 2021 fiscal year to the 2022 AGM.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as global health risks and changes to the competitive environment. In addition, given the Covid-19 governmental measures and their impact on the economic development, financial forecasts are still subject to an elevated level of uncertainty. The evolving Russia-Ukraine situation does not impact Erste Group directly, as it has no operating presence in those countries; exposures to both countries are negligible and no additional risk provisioning is currently required in this context. Indirect effects, such as financial market volatility or sanctions-related knock-on effects on some of our customers cannot be ruled out, though. Further geopolitical developments might lead to economic difficulties and failure of banks based in EU Member States. As a consequence, the possible activation of national or European deposit insurance and resolution systems might have financial impacts on member banks of Erste Group. Any resulting financial effects cannot be assessed at the current point in time. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put goodwill at risk.

ANALYSIS OF PERFORMANCE

Net interest income

Net interest income rose to EUR 4,975.7 million (EUR 4,774.8 million). The benign interest rate environment in the Czech Republic and in Hungary, strong volume growth in all markets and especially in the housing loan segment, and a one-off effect from the take-up of TLTRO III funds in Austria and in Slovakia in the amount of EUR 93.0 million (EUR 8.0 million) were among the key growth drivers. A decline in modification losses from lending, which are reported in net interest income, also had a positive effect. The net interest margin (calculated as the annualised sum of net interest income, dividend income and net result from equity method investments over average interest-bearing assets) stood at 2.05% (2.08%).

Net fee and commission income

Net fee and commission income increased to EUR 2,303.7 million (EUR 1,976.8 million). Significant growth was recorded across all fee and commission categories and all core markets. The most marked rises were seen in payment services and asset management (most notably in Austria). The latter benefitted from strongly performing equity markets. Income from the custody business and brokerage commissions was likewise up substantially.

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

Valuation effects have a substantial impact on the net trading result as well as the line item gains/losses from financial instruments measured at fair value through profit or loss. Debt securities issued measured at FV through profit or loss have a significant impact on these line items as related valuation results are shown in the line item gains/losses from financial instruments measured at fair value through profit or loss, while the valuation results of corresponding hedges are shown in net trading result – as are financial assets in the fair value and trading portfolios.

Due to valuation effects in the derivatives business resulting from interest rate developments, net trading result declined to EUR 58.6 million (EUR 137.6 million) despite continued strong foreign exchange trading. Gains/losses from financial instruments measured at fair value through profit or loss rose to EUR 173.2 million (EUR 62.0 million). Due to the rise in long-term interest rates, lower income from the valuation of the securities portfolio in Austria and losses from the valuation of the loan portfolio measured at fair value in Hungary were offset by significantly higher gains from the valuation of debt securities in issue.

General administrative expenses

General administrative expenses rose to EUR 4,306.5 million (EUR 4,220.5 million). **Personnel expenses** increased to EUR 2,578.1 million (EUR 2,520.7 million), most notably in the Czech Republic, but also in Hungary and Croatia. On the back of lower average headcounts, cost reductions were achieved primarily in Austria, Romania and Slovakia. **Other administrative expenses** were higher at EUR 1,180.3 million (EUR 1,158.9 million), with marketing and IT expenses up most markedly. Contributions to deposit insurance systems declined to EUR 122.4 million (EUR 132.2 million). In Austria they decreased to EUR 85.5 million (EUR 95.0 million) after a one-off effect in the previous year. No contributions are currently payable in Croatia. In Slovakia, contributions rose to EUR 9.4 million (EUR 1.1 million). **Depreciation and amortisation** amounted to EUR 548.0 million (EUR 540.9 million).

Operating result

Operating income increased to EUR 7,742.0 million (+8.2%; EUR 7,155.1 million), with a marked rise in the key income components, most notably net fee and commission income but also net interest income, and a strong net trading and fair value result. General administrative expenses rose to EUR 4,306.5 million (+2.0%; EUR 4,220.5 million). The operating result rose to EUR 3,435.5 million (+17.1%; EUR 2,934.6 million). The cost/income ratio improved to 55.6% (59.0%).

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

Losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 32.8 million (EUR 6.5 million). This line item includes primarily one-off losses

from derecognition of liabilities and negative results from the sale of securities in the Czech Republic and Austria.

Impairment result from financial instruments

The impairment result from financial instruments amounted to EUR -158.8 million (EUR -1,294.8 million). Net allocations to provisions for loans and advances declined to EUR 119.1 million (EUR 1,231.0 million), those for commitments and guarantees given to EUR 104.8 million (EUR 159.2 million). Positive contributions came from the release of provisions for loans in Austria (Savings Banks segment) as well as from income from the recovery of loans already written off in all segments in the amount of EUR 90.8 million (EUR 145.0 million). In the comparative period, updated risk parameters with forward-looking information as well as stage overlays related to the Covid-19 pandemic had led to a significant rise in allocations to provisions.

Other operating result

Other operating result came in at EUR -310.5 million (EUR -278.3 million). The deterioration was primarily due to valuation effects. Levies on banking activities declined to EUR 73.5 million (EUR 117.7 million). This decline is attributable to the abolition of banking levies in Slovakia, which had amounted to EUR 33.8 million in the comparative period. Banking levies payable in Austria decreased to EUR 10.5 million (EUR 25.5 million) on the back of significantly lower levies payable by the Holding. Hungarian banking tax rose slightly to EUR 15.0 million (EUR 14.5 million). Together with the financial transaction tax of EUR 48.0 million (EUR 44.0 million), banking levies in Hungary totalled EUR 63.0 million (EUR 58.5 million).

The balance of allocations/releases of other provisions improved to EUR 5.1 million (EUR -18.4 million). Other operating result also reflects the annual contributions to resolution funds in the amount of EUR 108.6 million (EUR 93.5 million). Increases were recorded above all in Austria to EUR 51.5 million (EUR 43.6 million) and in Romania to EUR 11.4 million (EUR 7.7 million).

Profit/loss for the year

The pre-tax result from continuing operations amounted to EUR 2,933.4 million (EUR 1,368.0 million). Taxes on income rose to EUR 525.2 million (EUR 342.5 million). The minority charge increased to EUR 484.8 million (EUR 242.3 million) due to higher earnings contributions of savings banks resulting primarily from a significant improvement in the impairment result from financial instruments. The net result attributable to owners of the parent rose to EUR 1,923.4 million (EUR 783.1 million).

Tax situation

Pursuant to section 9 of the Austrian Corporate Tax Act (KStG), Erste Group Bank AG and its main domestic subsidiaries constitute a tax group. As opposed to previous periods, in 2021 a significant taxable profit was accounted for. According to the applicable legal regulations, 75 per cent of the taxable profit was offset with tax loss carryforward, for the remaining 25 per cent current income tax was

accounted for. In 2021 the current tax loss carried forward decreased accordingly.

Taxes on income are made up of current taxes on income calculated in each of the Group companies based on the results reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes. The reported total income tax expense amounted to EUR 525.2 million (EUR 342.5 million).

Balance sheet development

The rise in **cash and cash balances** to EUR 45.5 billion (EUR 35.8 billion) was primarily due to rising cash balances held at central banks, not least as a result of increased TLTRO III funds.

Trading and investment securities held in various categories of financial assets increased to EUR 53.2 billion (EUR 46.8 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, declined slightly to EUR 21.0 billion (EUR 21.5 billion). **Loans and advances to customers (net)** rose – most notably in Austria and the Czech Republic – to EUR 180.3 billion (EUR 166.1 billion) driven by retail and corporate loan growth.

Loan loss allowances for loans to customers amounted to EUR 3.9 billion (EUR 4.0 billion). **The NPL ratio** – non-performing loans as a percentage of gross customer loans – improved to 2.4% (2.7%), the **NPL coverage ratio** (based on gross customer loans) rose to 90.9% (88.6%)

Intangible assets were stable at EUR 1.4 billion (EUR 1.4 billion). **Miscellaneous assets** amounted to EUR 6.1 billion (EUR 5.8 billion).

Financial liabilities – held for trading declined to EUR 2.5 billion (EUR 2.6 billion). **Deposits from banks**, primarily in the form of term deposits, rose to EUR 31.9 billion (EUR 24.8 billion), including TLTRO III funds with a carrying amount of EUR 20.9 billion (EUR 14.1 billion); **deposits from customers** increased to EUR 210.5 billion (EUR 191.1 billion) due to strong growth in overnight deposits (leasing liabilities of EUR 0.6 billion are not included in this position). The **loan-to-deposit ratio** declined to 85.6% (86.9%). **Debt securities in issue** increased to EUR 32.1 billion (EUR 30.7 billion). **Miscellaneous liabilities** amounted to EUR 6.9 billion (EUR 5.8 billion).

Total assets rose to EUR 307.4 billion (EUR 277.4 billion). **Total equity** increased to EUR 23.5 billion (EUR 22.4 billion). This includes AT1 instruments in the amount of EUR 2.2 billion from four issuances (April 2017, March 2019, January 2020 and November 2020). After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR) **common equity tier 1 capital** (CET1, CRR final) rose to EUR 18.8 billion (EUR 17.1 billion) as were total **own funds** (CRR final) to EUR 24.8 billion (EUR 23.6 billion). Total risk – **risk-weighted assets** including

credit, market and operational risk (CRR final) – increased moderately to EUR 129.6 billion (EUR 120.2 billion).

Consolidated regulatory capital is calculated in accordance with CRR taking into consideration transitional provisions as defined in the Austrian CRR Supplementary Regulation and the Regulation (EU) 2016/445 of the European Central Bank on the exercise of options and discretions available in Union law. These transitional provisions define the percentages applicable to eligible capital instruments and regulatory deduction items as well as filters.

The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR final), declined to 19.1% (19.7%), primarily due to the early redemption of a portion of AT1 capital but remained well above the legal minimum requirement.

The **tier 1 ratio** (CRR final) stood at 16.2% (16.5%), the **common equity tier 1 ratio** (CRR final) at 14.5% (14.2%).

RISK MANAGEMENT

Comments on the risk profile of Erste Group

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

- Credit risk: is the risk of loss from the potential collapse of counterparties, particularly of borrowers in the conventional lending business, and any related credit losses.
- Market risk: describes the risk of loss from unfavourable price changes in marketable and traded products, such as shares, fixed-income securities and derivatives, as well as from interest and foreign exchange volatility and fluctuations in raw material prices.
- Liquidity risk: describes the risk of the bank's insufficient liquidity or inability to make funds available in a timely manner to service its debts.
- Non financial risk: includes operational risks and other business risks. Operational risks are losses as a result of error or malfunction of internal procedures, humans and systems or external events. Major sub-categories of other business risks are strategic risks, reputational risks and compliance risks.

With respect to the explanations on substantial financial and non-financial risks at Erste Group as well as the goals and methods of risk management, we would like to draw the reader's attention to the information provided in the Notes 27, 32, 34, 35, 36, 37 and 43 of the the consolidated financial statements.

RESEARCH AND DEVELOPMENT

Erste Group does not engage in any research activities pursuant to section 243 (3) no. 3 UGB, but in 2021 development costs in the amount of EUR 51 million (EUR 70 million) were capitalised in connection with software developed in-house.

In order to drive improvements for retail customers and in the ongoing services, Erste Group launched the Innovation Hub. Its purpose is to initiate and coordinate across-the-board initiatives with a strong focus on customer experiences. As a multi-disciplinary team consisting of marketing, product and IT as well as design experts, the Innovation Hub is tasked with creating innovations and managing new programme initiatives.

BRANCHES

Erste Group Bank AG maintains branches in New York, Hong Kong and Germany (Berlin and Stuttgart) that provide commercial lending to foreign banks, leasing companies and sovereign debtors as well as institutional sales. The London branch was closed in the financial year 2021.

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS

Capital structure

For details of the mandatory disclosures in respect of capital structure, class of shares and treasury shares please refer to Note 44 of the consolidated financial statements.

As of 31 December 2021, together with its syndicate partners (savings banks, Anteilsverwaltungssparkassen and savings banks foundations), DIE ERSTE oesterreichische Spar-Casse Privatstiftung ('ERSTE Stiftung'), a foundation, controls 22.25% (prior year: 31.17%) of the shares in Erste Group Bank AG and with 16.50% (prior year: 16.50%) is the main shareholder. The ERSTE Stiftung holds 5.90% (prior year: 5.90%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to around 10.60% (prior year: 10.60%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 1.67% (prior year: 1.67%) are held directly by savings bank foundations, savings banks and Erste Mitarbeiterbeteiligungsstiftung acting together with the ERSTE Stiftung. At the beginning of November 2021, the 9.92% share of CaixaBank S.A. was sold, resulting in the exit from the syndicate.

Erste Group Bank AG forms a recognised institutional protection scheme (IPS) in accordance with article 113 (7) CRR together with the Austrian savings banks. The joint liability scheme complies with the requirements of article 4 (1) Z 127 CRR, whereby the required individual contributions of the individual members of the scheme are subject to an individual and general ceiling. An IPS ex-ante fund has been established in connection with the approval of the IPS.

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

Erste Group Bank AG is the central institution for the associated Austrian savings banks, and together they form a cash pool pursuant to section 27a Austrian Banking Act (BWG). Where necessary, Erste Group Bank AG must supply liquidity to an associated savings bank in accordance with legal and contractual provisions.

Restrictions of voting rights and of the transfer of shares

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

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

Special control rights, bodies and amendments of the articles of association

This concerns:

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

amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Capital participation of employees

The voting rights of shares of employees of corporate employers according to section 4d (5) (1) Income Tax Act (EStG) participating in employee share programs held in trust by the Erste Mitarbeiterbeteiligung Privatstiftung are exercised by the Board of Directors of Erste Mitarbeiterbeteiligung Privatstiftung. The members of the Board of Directors are appointed and dismissed by the Advisory Board through resolution with simple majority. Both Erste Group Bank AG as well as the statutory employee representatives of Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG jointly are entitled to appoint a person of their choice to the board of directors. A further member of the Board of Directors to be appointed by the Advisory Board shall be a former member of the management board or a former (freelance) employee of the corporate employers pursuant to section 4d (5) (1) Income Tax Act (EStG). The Advisory Board of Erste Mitarbeiterbeteiligung Privatstiftung comprises of up to five members.

Powers of the Management Board to issue and repurchase shares

As per decision of the Annual General Meeting of 19 May 2021:

- _ the Management Board is entitled to purchase up to 10% of the subscribed capital in treasury shares for trading purposes according to section 65 (1) (7) Austrian Stock Corporation Act (AktG). However, the trading portfolio of these shares may not exceed 5% of the subscribed capital at the end of any calendar day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase by more than 20%. This authorisation is valid for a period of 30 months, i.e. until 18 November 2023.
- _ the Management Board is entitled, pursuant to section 65 (1) (8) as well as (1a) and (1b) Stock Corporation Act and for a period of 30 months from the date of the resolution, i.e. until 18 November 2023, to acquire own shares of up to 10% of the subscribed capital, subject to approval by the Supervisory Board, with the option of making repeated use of the 10% limit, either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment. The authorization may be exercised in whole or in part or in several instalments and in pursuit of one or several purposes. The market price per share must not be below EUR 2.00 or above EUR 120.00. Pursuant to section 65 (1b) in conjunction with sec. 171 Stock Corporation Act, the Management Board is authorised, from the date of the resolution, i.e. until 18 May 2026, on approval by the Supervisory Board, to sell or use the company's own shares, also by means other than the stock exchange or a public offering for any purpose allowed by

the law, particularly as consideration for the acquisition and financing of the acquisition of companies, businesses, business divisions or shares in one or several businesses in Austria or abroad to the exclusion of the shareholders' proportional purchase option.

- _ The Management Board is authorised to redeem shares without further resolution at the Annual General Meeting with the approval of the Supervisory Board.
- _ According to section 65 (1) (4) as well as (1a) and (1b) Stock Corporation Act, the Management Board is authorised for the duration of 30 months following the date of resolution, hence until 18 November 2023, and with the approval of the Supervisory Board to purchase own shares at an amount equalling up to 10% of share capital of the company also under repeated utilisation of the 10% limit either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment for the purpose of granting shares for free or at concessionary terms to Erste Mitarbeiterbeteiligung Privatstiftung, their beneficiaries, employees, executive employees and members of the board at Erste Group Bank AG or of an affiliated undertaking or of any other undertaking pursuant to section 4d (5) (1) Income Tax Act. The authorisation may be exercised in whole or in part or in several installments and in pursuit of one or several purposes. The value per share may neither be lower than the floor value of two Euros nor higher than the ceiling of 120 Euros.

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

According to section 8.3 of the Articles of Association, the Management Board is authorized, until 24 May 2023 and with the approval of the Supervisory Board, to issue convertible bonds (including conditional compulsory convertible bonds according to section 26 Austrian Banking Act (BWG)), which grant subscription or conversion rights to the acquisition of company shares, while paying due consideration or excluding the subscription right of shareholders. The terms of issue can also set out a conversion obligation at the end of the term or at another point in time in addition or instead of subscription or conversion rights. The issue of convertible bonds may only take place to the extent that guarantees the fulfilment of agreed conversion or subscription rights and, in the case of a conversion obligation set out in the conditions of issue, the fulfilment of the corresponding conversion obligations from the conditional capital increase. The issue amount, conditions of issue and the exclusion of shareholders' subscription rights are to be determined by the Management Board with consent of the Supervisory Board.

Obstacles for takeover

Joint liability agreement (Haftungsverbund)

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

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

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

Directors and Officers Insurance

Changes in control

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

- _ the insured ceases to exist as a result of a merger or consolidation, unless the merger or consolidation occurs between two insured parties, or
- _ another company, person or group of companies or persons acting in consent, who are not insured parties, acquire more than 50% of the insured's outstanding equity or more than 50% of its voting power (resulting in the right to control the voting power represented by the shares, and the right to appoint the Management Board members of the insured),

then the insurance cover under this policy remains in full force and effect for claims relating to unlawful acts committed or alleged to have been committed before this change in control took effect. However, no insurance cover is provided for claims relating to unlawful acts committed or allegedly committed after that time (unless the insured and insurer agree otherwise). The premium for this insurance cover is deemed to be completely earned.

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

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

Erste Group Bank and Vienna Insurance Group AG Wiener Versicherung Gruppe (VIG) are parties to a general distribution agreement (the Agreement) concerning the framework of the cooperation of Erste Group and VIG in Austria and CEE with respect to bank and insurance products. Originally concluded in 2008 (between Erste Bank der österreichischen Sparkassen AG and Vienna Insurance Group der WIENER STÄDTISCHE Versicherung AG), the Agreement was renewed and extended in 2018 until the end of 2033. The objective for the renewal and extension in particular was to adapt the Agreement to the corporate restructuring of the original parties, to amend some commercial parameters and to align the Agreement with recent developments in the legal framework. Already in the original Agreement the parties stipulated that both parties have the right to terminate the Agreement in case of a change of control of one of the parties. In case of change of control of Erste Group Bank AG, VIG has the right to terminate the Agreement. In case of change of control of VIG, Erste Group Bank AG has the reciprocal right. A change of control is defined, with respect to Erste Group Bank AG, as the acquisition of Erste Group Bank AG by any person/entity other than DIE ERSTE österreichische Spar-Casse Privatstiftung or Austrian savings banks of 50% plus one share of Erste Group Bank AG's shares or voting rights. In respect to VIG, the aforementioned provisions apply analogously, except for share purchases by Wiener Städtische Wechselseitiger Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group.

Apart from this regulation on the termination of the Agreement, the parties agreed in the renewal and extension of the Agreement for an additional termination for cause if based on new legal or regulatory provisions, the continuation of the Agreement is unreasonable for each or both of the parties.

Erste Group Bank and VIG are furthermore parties to an asset management agreement, pursuant to which Erste Group undertakes to manage certain parts of VIG's and its group companies' securities assets. In case of a change of control (as described above), each party has the termination right. The asset management agreement has been renewed and extended until 2033 concurrently with the renewal and extension of the Agreement outlined above.

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

Internal Control System Framework Requirements

The internal control system (ICS) is an essential element of the corporate governance system of Erste Group contributing to the safeguarding of shareholders' investments and company's assets. Erste Group's ICS plays a key role in identifying risks associated with the respective internal processes.

The ICS policy provides the framework conditions for the internal control system at Erste Group. It defines current standards concerning general tasks and responsibilities as well as minimum criteria for ICS documentation. In Erste Group, a top-down, risk oriented, decentralized ICS approach is to be applied, designed based on the local process map, which promotes adequacy by focusing on all material risks. This means, that all material risks identified have to be mitigated by key controls which are involved in the ICS process. The following criteria are applied for an adequate local ICS:

- **Completeness:** The process landscape as well as policies and procedures issued within Group Policy Framework ensure that all identified risks and potential risk scenarios are considered, regulated and maintained, aiming to set up a comprehensive and integrated control environment throughout the entity. All material risks must be covered with key controls, which constitute the relevancy.
- **Effectiveness and traceability:** Functionality of key controls are regularly checked, optimal control environment is reviewed and challenged during monitoring activity of risk appetite/tolerance.
- **Comprehensibility:** Process landscape together with local policies and procedures constitute documentation of identified key controls, which ensures that relevant employees are aware of all key controls and their role in the internal control process in transparent and accountable way within the entire local entity.

The risk profile, which includes the current and target situation, is monitored by each individual risk function unit and is illustrated in the framework of the consolidated risk reporting (GRR) for the management or relevant risk committee.

Control environment

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

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

Group Accounting and Group Performance Management are responsible for preparing the consolidated financial reporting, both divisions are assigned to the CFO of Erste Group. Consolidated financial statements are prepared by the Group Consolidation department. The assignment of powers, the process description and the necessary control procedures are defined in the operating instructions.

Risk assessment

The main risk in the financial reporting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case if the data provided in the financial statements and notes is essentially

inconsistent with the correct figures, i.e. whenever, alone or in aggregate, they are apt to influence the decisions made by the users of financial statements. Such a decision may incur serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

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

Controls measures

Erste Group issues group policies used for preparation of consolidated financial statements in accordance with IFRS. A summary description of the accounting process is provided in Erste Group's IFRS Accounting Manual. All transactions in subsidiaries have to be recorded, posted and accounted for in accordance with the accounting and measurement methods set out in this manual.

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

- _ systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing.
- _ principles of functional separation and checks performed by a second person (the four-eye principle).
- _ Controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between accounting and controlling) and control of the company and/or individual corporate divisions.

Group Consolidation

The data provided by the group entities is checked for plausibility by the department Group Consolidation department. The subsequent consolidation steps are then performed using the consolidation system (TAGETIK). These include consolidation of capital, expense and income consolidation, and debt consolidation, any intragroup gains are eliminated. At the end of the consolidation process, the notes to the consolidated financial statements are prepared in accordance with IFRS and BWG/UGB.

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

Information and communication

Throughout the year, the group produces consolidated monthly reports for group management. Statutory interim reports are produced that conform to the provisions of IAS 34 and are also

published quarterly in accordance with the Austrian Stock Corporation Act. Before publication, the consolidated financial information is presented to senior managers and the CFO for final approval and then submitted to the supervisory board's audit committee.

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

Responsibilities of Internal Audit

Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk-oriented audit areas (according to the annual audit plan as approved by the management board and reported to the audit committee). The main focus of audit reviews is to monitor the completeness and functionality of the internal control system. Internal Audit has the duty of reporting its findings to the group's management board, supervisory board and audit committee several times within one year.

According to section 42 Austrian Banking Act (BWG), Internal Audit is a control body that is directly subordinate to the management board. Its sole purpose is to comprehensively verify the lawfulness, propriety and expediency of the banking business and banking operation on an on-going basis. The mandate of Internal Audit is therefore to support the management board in its efforts to secure the bank's assets and promote economic and operational performance and thus in the management board's pursuit of its business and operating policy. The activities of Internal Audit are governed in particular by the currently applicable Rules of Procedure, which were drawn up under the authority of all management board members and approved as well as implemented by them. The Rules of Procedure are reviewed on a regular basis and whenever required and adapted should the need arise.

Audit activities of Internal Audit

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

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

Internal Audit performs its responsibilities based on its own discretion and in compliance with the annual audit plan as approved by

the management board. Once approved, the audit plan is also reported to the audit committee.

CORPORATE GOVERNANCE

The consolidated corporate governance report of Erste Group is disclosed and published on the website of Erste Group (www.erstegroup.com/investor-relations).

Erste Group convinced that considering socio-environmental responsibility, climate change prevention and strong governance aspects in doing business not only support its purpose to disseminate prosperity but also secures the financial resilience of the bank.

Based on Erste Group’s legacy strong focus on social responsibility and the ambition to be the leading financial institution driving the green transition in Central and Eastern Europe, Erste Group implemented its ‘ESG Strategic Framework’ in 2021.

It is based on four impact pillars:

- Sustainable Finance: Erste Group is committed to increase the green wholesale funding rates in all core markets, thus strengthening CEE debt capital markets and defending its leading position in the ethical and environmental funds in the CEE region.
- Working together for a sustainable future: Erste Group believes there is a need to not only raise awareness for green transition and potentially related social impacts but also to develop new sustainable market standards. Consequently, Erste Group is committed to actively participate in and to support public initiatives in this field and to pursue collaborations with business partners and NGOs.
- Good corporate citizenship and operations: Erste Group is committed to reach climate neutrality by 2023. After having reduced Scope 1 and Scope 2 emissions since 2016 by 25%, Erste Group targets to reduce them further by 25% by obtaining at least 90% of electricity from green sources and by implementing further efficiency measures.
- Our employees: Erste Group puts emphasis on raising awareness of the importance of a sustainable lifestyle and motivating all employees to actively support efforts to reach climate neutrality. In addition, Erste Group plans to offer a climate literacy programme to the staff incorporating inputs from academics of the Vienna University of Economics and Business and environmental experts of the Austrian World Wide Fund For Nature, and climate simulation workshops.

Erste Group’s ESG governance framework includes the following elements:

Management Board	
Bernhard Spalt mp, Chairman	Ingo Bleier mp, Member
Stefan Dörfler mp, Member	Alexandra Habeler-Drabek mp, Member
David O’Mahony mp, Member	Maurizio Poletto mp, Member

- the Supervisory Board oversees the sustainability strategy, the ESG framework and its implementation.
- the Management Board defines the sustainability strategy and is responsible for the ESG framework, priorities and targets.
- the Group Sustainability Board takes decisions on strategy, priorities, governance and key performance indicators and monitors the implementation progress.
- the ESG Core Team is set up as a collaboration platform to develop objectives, targets and corresponding initiatives through senior managers of various areas.
- the main objective of the Group Sustainable Finance Committee is to ensure a coordinated development of ESG principles in steering instruments like portfolio limits, pricing or the ESG Factor heatmap.
- the Group ESG Office promotes Erste Group’s sustainability strategy and acts as main advisor to the management board on the ESG strategy, targets and priorities.
- Local ESG Offices develop local sustainability strategies aligned to the group-wide strategy and support the respective local management boards.
- Group Business Divisions are in charge of the business strategy, objectives, targets and developing initiatives and action plans. In addition, they are responsible for defining green/social eligibility rules and ensure their integration into products as well as ESG risk management processes.
- Group Risk Management functions ensure that ESG aspects are covered in the risk management framework and risk appetite assessment and are properly taken into account in risk control and operative risk management tools and processes.

Regulations on sustainability disclosures and risk management obligations: the EU Taxonomy Regulation (EC 2020/852), Sustainability Disclosure Regulation (EC 2019/2088), EBA Guideline on Loan Origination and Monitoring, ECB Guide on climate related and Environmental Risks are properly taken into account and will be integrated with due care into the business model of Erste Group Bank AG.

CONSOLIDATED NON-FINANCIAL DECLARATION

The consolidated non-financial declaration of Erste Group is issued as separate consolidated non-financial report. The consolidated non-financial report of Erste Group is disclosed and published on the website of Erste Group (www.erstegroup.com/investor-relations).

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Consolidated statement of income

in EUR million	Notes	1-12 20	1-12 21
Net interest income	2	4,774.8	4,975.7
Interest income	2	5,107.9	5,108.9
Other similar income	2	1,461.7	1,476.5
Interest expenses	2	-621.2	-483.8
Other similar expenses	2	-1,173.6	-1,125.9
Net fee and commission income	3	1,976.8	2,303.7
Fee and commission income	3	2,354.5	2,722.1
Fee and commission expenses	3	-377.7	-418.5
Dividend income	4	19.9	33.2
Net trading result	5	137.6	58.6
Gains/losses from financial instruments measured at fair value through profit or loss	6	62.0	173.2
Net result from equity method investments		10.4	15.4
Rental income from investment properties & other operating leases	7	173.6	182.3
Personnel expenses	8	-2,520.7	-2,578.1
Other administrative expenses	8	-1,158.9	-1,180.3
Depreciation and amortisation	8	-540.9	-548.0
Gains/losses from derecognition of financial assets measured at amortised cost	9	6.8	-7.6
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	10	-0.4	-25.2
Impairment result from financial instruments	11	-1,294.8	-158.8
Other operating result	12	-278.3	-310.5
Levies on banking activities	12	-117.7	-73.5
Pre-tax result from continuing operations		1,368.0	2,933.4
Taxes on income	13	-342.5	-525.2
Net result for the period		1,025.5	2,408.1
Net result attributable to non-controlling interests		242.3	484.8
Net result attributable to owners of the parent		783.1	1,923.4

Earnings per share

Earnings per share constitute net profit/loss for the year attributable to owners of the parent divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (through an increase in the average number of shares) that would occur if all subscription and conversion rights granted were exercised (also see Note 44 Total equity). As in the previous year no subscription and conversion rights were outstanding during the financial year. Diluted earnings per share were equal to the undiluted.

		1-12 20	1-12 21
Net result attributable to owners of the parent	in EUR thousand	783,129	1,923,380
Dividend on AT1 capital	in EUR thousand	-114,580	-147,807
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	668,549	1,775,573
Weighted average number of outstanding shares		426,324,725	426,246,662
Earnings per share	in EUR	1.57	4.17
Weighted average diluted number of outstanding shares		426,324,725	426,246,662
Diluted earnings per share	in EUR	1.57	4.17

Consolidated statement of comprehensive income

in EUR million	1-12 20	1-12 21
Net result for the period	1,025.5	2,408.1
Other comprehensive income		
Items that may not be reclassified to profit or loss	62.0	116.1
Remeasurement of defined benefit plans	-61.0	28.6
Fair value reserve of equity instruments	5.8	20.4
Own credit risk reserve	127.5	82.3
Deferred taxes relating to items that may not be reclassified	-10.2	-15.3
Items that may be reclassified to profit or loss	-223.4	-122.2
Fair value reserve of debt instruments	44.4	-188.3
Gains/losses during the period	34.7	-191.2
Reclassification adjustments	-1.2	4.8
Credit loss allowances	10.9	-1.9
Cash flow hedge reserve	99.2	-298.4
Gains/losses during the period	113.5	-295.3
Reclassification adjustments	-14.3	-3.1
Currency reserve	-338.4	271.0
Gains/losses during the period	-338.4	271.0
Income tax relating to items that may be reclassified	-28.6	93.5
Gains/losses during the period	-32.3	94.2
Reclassification adjustments	3.7	-0.6
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	0.0
Total other comprehensive income	-161.4	-6.1
Total comprehensive income	864.1	2,402.0
Total comprehensive income attributable to non-controlling interests	215.0	475.9
Total comprehensive income attributable to owners of the parent	649.1	1,926.1

For a detailed split of income tax items within other comprehensive income please refer to Note 13 Taxes on income.

Consolidated balance sheet

in EUR million	Notes	Dec 20	Dec 21
Assets			
Cash and cash balances	15	35,838.5	45,495.4
Financial assets held for trading	20, 21	6,356.0	6,473.0
Derivatives	20	2,954.4	2,263.4
Other financial assets held for trading	21	3,401.7	4,209.6
Pledged as collateral	29	68.0	372.7
Non-trading financial assets at fair value through profit or loss	22	3,082.8	3,124.4
Pledged as collateral	29	7.9	0.0
Equity instruments	22	347.3	331.9
Debt securities	22	2,048.5	1,974.7
Loans and advances to banks		0.0	9.9
Loans and advances to customers	22	687.0	808.0
Financial assets at fair value through other comprehensive income	25	8,518.8	8,881.2
Pledged as collateral	29	50.0	130.2
Equity instruments	25	129.8	132.4
Debt securities	25	8,389.0	8,748.8
Financial assets at amortised cost	16	210,940.4	229,641.2
Pledged as collateral	29	1,898.5	1,232.4
Debt securities	16	29,578.9	35,550.8
Loans and advances to banks	16	21,466.2	20,991.4
Loans and advances to customers	16	159,895.3	173,099.1
Finance lease receivables	Leases	4,127.1	4,208.5
Hedge accounting derivatives	27	205.2	78.6
Fair value changes of hedged items in portfolio hedge of interest rate risk	27	5.3	-3.9
Property and equipment	38	2,552.1	2,645.2
Investment properties	38	1,280.4	1,344.2
Intangible assets	39	1,358.9	1,362.3
Investments in associates and joint ventures	47	190.1	210.9
Current tax assets	13	174.7	135.1
Deferred tax assets	13	460.1	562.1
Assets held for sale	51	211.8	73.0
Trade and other receivables	18	1,341.0	2,152.5
Other assets	40	750.6	1,044.6
Total assets		277,393.7	307,428.2
Liabilities and equity			
Financial liabilities held for trading	20, 23	2,625.0	2,473.7
Derivatives	20	2,037.5	1,623.8
Other financial liabilities held for trading	23	587.6	849.9
Financial liabilities at fair value through profit or loss	24	12,091.0	10,464.1
Deposits from customers	24	254.0	494.7
Debt securities issued	24	11,656.6	9,778.4
Other financial liabilities	24	180.4	190.9
Financial liabilities at amortised cost	19	235,125.3	265,415.5
Deposits from banks	19	24,771.3	31,885.6
Deposits from customers	19	190,816.4	210,028.7
Debt securities issued	19	19,019.8	22,351.7
Other financial liabilities		517.7	1,149.4
Lease liabilities	Leases	559.7	588.1
Hedge accounting derivatives	27	188.7	309.4
Fair value changes of hedged items in portfolio hedge of interest rate risk	27	0.1	0.0
Provisions	42	2,081.9	1,985.9
Current tax liabilities	13	58.5	143.6
Deferred tax liabilities	13	20.0	18.7
Liabilities associated with assets held for sale	51	1.4	0.0
Other liabilities	41	2,231.8	2,515.9
Total equity	44	22,410.3	23,513.4
Equity attributable to non-controlling interests	44	5,073.1	5,516.0
Additional equity instruments	44	2,733.0	2,236.2
Equity attributable to owners of the parent	44	14,604.2	15,761.2
Subscribed capital	44	859.6	859.6
Additional paid-in capital	44	1,477.7	1,477.7
Retained earnings and other reserves	44	12,266.9	13,423.9
Total liabilities and equity		277,393.7	307,428.2

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	Remeasurement 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 2021	859.6	1,477.7	13,773.0	35.9	238.8	-290.3	-941.4	-549.1	14,604.2	2,733.0	5,073.1	22,410.3
Changes in treasury shares	0.0	0.0	-3.7	0.0	0.0	0.0	0.0	0.0	-3.7	0.0	0.0	-3.7
Dividends paid	0.0	0.0	-756.0	0.0	0.0	0.0	0.0	0.0	-756.0	0.0	-40.0	-795.9
Capital increase/decrease	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-496.8	1.4	-495.4
Changes in scope of consolidation and ownership interest	0.0	0.0	-4.7	0.0	0.0	0.0	0.0	0.0	-4.7	0.0	-10.9	-15.6
Reclassification from other comprehensive income to retained earnings	0.0	0.0	5.3	0.0	-10.3	4.9	0.0	0.0	0.0	0.0	0.0	0.0
Share based payments	0.0	0.0	16.0	0.0	0.0	0.0	0.0	0.0	16.0	0.0	0.0	16.0
Other changes	0.0	0.0	-20.8	0.0	0.0	0.0	0.0	0.0	-20.8	0.0	16.5	-4.3
Total comprehensive income	0.0	0.0	1,923.4	-241.5	-113.7	78.0	268.9	11.0	1,926.1	0.0	475.9	2,402.0
Net result for the period	0.0	0.0	1,923.4	0.0	0.0	0.0	0.0	0.0	1,923.4	0.0	484.8	2,408.1
Other comprehensive income	0.0	0.0	0.0	-241.5	-113.7	78.0	268.9	11.0	2.7	0.0	-8.9	-6.1
Change from remeasurement of defined benefit plans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.0	11.0	0.0	13.1	24.1
Change in fair value reserve	0.0	0.0	0.0	0.0	-113.7	0.0	0.0	0.0	-113.7	0.0	-22.5	-136.2
Change in cash flow hedge reserve	0.0	0.0	0.0	-241.5	0.0	0.0	0.0	0.0	-241.5	0.0	-0.1	-241.5
Change in currency reserve	0.0	0.0	0.0	0.0	0.0	0.0	268.9	0.0	268.9	0.0	2.1	271.0
Change in own credit risk reserve	0.0	0.0	0.0	0.0	0.0	78.0	0.0	0.0	78.0	0.0	-1.5	76.5
As of 31 December 2021	859.6	1,477.7	14,932.5	-205.6	114.8	-207.3	-672.5	-538.1	15,761.2	2,236.2	5,516.0	23,513.4

In the column 'Additional equity instruments', Erste Group reports additional tier 1 bonds redeemed in 2021 with a nominal value of EUR 500.0 million (2020: issued EUR 1,250.0 million). After deduction of costs directly attributable to the capital increase of EUR 3.2 million (2020: EUR 7.4 million) the net decrease in additional equity instruments amounted to EUR 496.8 million (2020: net increase EUR 1,242.6 million). Costs directly attributable to the capital increase of EUR 3.2 million were deducted from retained earnings. Additional tier 1 bonds are unsecured and subordinated bonds which are classified as equity under IFRS. For further details, see Note 44 Total 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	Remeasurement 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	859.6	1,477.7	13,095.2	-45.4	260.4	-398.9	-609.6	-509.5	14,129.5	1,490.4	4,857.5	20,477.3
Changes in treasury shares	0.0	0.0	-57.7	0.0	0.0	0.0	0.0	0.0	-57.7	0.0	0.0	-57.7
Dividends paid	0.0	0.0	-114.6	0.0	0.0	0.0	0.0	0.0	-114.6	0.0	-4.8	-119.4
Capital increase/decrease	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,242.6	6.1	1,248.7
Changes in scope of consolidation and ownership interest	0.0	0.0	-1.7	0.0	0.0	0.0	0.0	0.0	-1.7	0.0	-1.1	-2.8
Reclassification from other comprehensive income to retained earnings	0.0	0.0	69.0	0.0	-68.2	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
Share based payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	-0.4	0.0	0.4	0.0
Total comprehensive income	0.0	0.0	783.1	81.3	46.5	109.5	-331.7	-39.6	649.1	0.0	215.0	864.1
Net result for the period	0.0	0.0	783.1	0.0	0.0	0.0	0.0	0.0	783.1	0.0	242.3	1,025.5
Other comprehensive income	0.0	0.0	0.0	81.3	46.5	109.5	-331.7	-39.6	-134.0	0.0	-27.3	-161.4
Change from remeasurement of defined benefit plans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-39.6	-39.6	0.0	-19.0	-58.6
Change in fair value reserve	0.0	0.0	0.0	0.0	46.5	0.0	0.0	0.0	46.5	0.0	-7.7	38.8
Change in cash flow hedge reserve	0.0	0.0	0.0	81.3	0.0	0.0	0.0	0.0	81.3	0.0	-0.1	81.2
Change in currency reserve	0.0	0.0	0.0	0.0	0.0	0.0	-331.7	0.0	-331.7	0.0	-6.6	-338.4
Change in own credit risk reserve	0.0	0.0	0.0	0.0	0.0	109.5	0.0	0.0	109.5	0.0	6.1	115.6
As of 31 December 2020	859.6	1,477.7	13,773.0	35.9	238.8	-290.3	-941.4	-549.1	14,604.2	2,733.0	5,073.1	22,410.3

Consolidated statement of cash flows

in EUR million	Notes	1-12 20	1-12 21
Net result for the period		1,025.5	2,408.1
Non-cash adjustments for items in net profit/loss for the year			
Depreciation, amortisation and net impairment of non-financial assets	38, 39	614.3	606.6
Net allocation of credit loss allowances and other provisions	12	1,441.2	219.7
Gains/losses from measurement and derecognition of financial assets and financial liabilities	9, 10	-189.6	210.6
Other adjustments		-277.4	83.1
Changes in assets and liabilities from operating activities after adjustment for non-cash components			
Financial assets held for trading	20, 21	-607.9	-120.2
Non-trading financial assets at fair value through profit or loss	22		
Equity instruments	22	42.8	15.4
Debt securities	22	337.1	75.0
Loans and advances to banks	22		-9.9
Loans and advances to customers	22	-212.7	-154.5
Financial assets at fair value through other comprehensive income: debt securities	25	484.1	-476.2
Financial assets at amortised cost	16		
Debt securities	16	-2,816.0	-5,977.9
Loans and advances to banks	16	1,585.3	501.4
Loans and advances to customers	16	-6,790.7	-13,336.3
Finance lease receivables	Leases	-106.2	-70.1
Hedge accounting derivatives	27	6.2	-114.9
Other assets from operating activities	18, 40	310.3	-1,025.5
Financial liabilities held for trading	20, 23	308.9	-537.3
Financial liabilities at fair value through profit or loss	24	-1,271.9	-1,341.2
Financial liabilities measured at amortised cost	19		
Deposits from banks	19	11,630.8	7,114.3
Deposits from customers	19	17,750.3	19,170.0
Debt securities issued	19	1,659.4	3,331.9
Other financial liabilities		-58.6	631.6
Hedge accounting derivatives	27	-80.5	120.7
Other liabilities from operating activities	41	-291.1	78.9
Cash flow from operating activities		24,493.4	11,403.7
Proceeds of disposal			
Financial assets at fair value through other comprehensive income: equity instruments	25	86.3	2.5
Investments in associates and joint ventures	47	5.0	-21.4
Property and equipment and intangible assets	38, 39	147.3	97.2
Investment properties	38	11.5	56.5
Acquisition of			
Financial assets at fair value through other comprehensive income: equity instruments	25	-1.1	0.0
Property and equipment and intangible assets	38, 39	-549.5	-548.0
Investment properties	38	-51.1	-63.0
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		0.0	-7.2
Cash flow from investing activities		-351.6	-483.4
Capital increase	44	1,248.7	1.4
Capital decrease	44	0.0	-496.8
Changes in ownership interests that do not result in a loss of control	44	-2.8	-15.6
Dividends paid to equity holders of the parent	44	-114.6	-756.0
Dividends paid to non-controlling interests	44	-4.8	-40.0
Cash flow from financing activities		1,126.5	-1,306.9
Cash and cash equivalents at the beginning of the period	15	10,693.3	35,838.5
Cash flow from operating activities		24,493.4	11,403.7
Cash flow from investing activities		-351.6	-483.4
Cash flow from financing activities		1,126.5	-1,306.9
Effect of currency translation		-123.0	43.4
Cash and cash equivalents at the end of period	15	35,838.5	45,495.4
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)		4,238.4	4,055.5
Payments for taxes on income	13	-438.9	-391.1
Interest received	2	7,233.2	6,899.9
Dividends received	4	19.9	33.2
Interest paid	2	-2,575.8	-2,486.5

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

Notes to the group financial statements of Erste Group

General information

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

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

These consolidated financial statements have been prepared and authorised for issue by the management board as at the signing date of this report. Both, the supervisory board (24 March 2022) and the annual general meeting (18 May 2022) may amend the individual financial statements of Erste Group Bank AG, which in turn may have an impact on these consolidated financial statements. The consolidated financial statements have not been accepted by the supervisory board and the financial statements of Erste Group Bank AG have not been approved by the supervisory board at the date of this report.

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

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

Significant accounting policies

a) Basis of preparation

The consolidated financial statements of Erste Group for the financial year ending on 31 December 2021 and the related comparative information were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. The requirements of Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code are fulfilled.

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

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

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

b) Covid-19 disclosures

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

- _ The chapter 'c) Accounting and measurement methods' discusses the accounting and measurement methods used for public moratoria and payment holidays, public guarantees and impairment of non-financial assets including significant effects of those topics on the consolidated financial statements in 2021.
- _ The chapter 'd) Significant accounting judgements, assumptions and estimates' contains information about the key sources of estimation uncertainty in the light of the Covid-19 pandemic.
- _ Note 33 Own funds and capital requirements discusses the adjustments to the regulatory framework due to the current Covid-19 crisis.
- _ Note 34 Credit risk contains a separate sub-chapter 'Covid-19' which explains the considerations of the pandemic on the ECL measurement, sensitivity analyses and information on credit exposures subject to certain Covid 19 measures.

c) Accounting and measurement methods

Foreign currency translation

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

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

i. Transactions and balances in foreign currency

Transactions in foreign currencies are initially recorded at the functional currency exchange rate effective as of the date of the transaction. Subsequently, monetary assets and liabilities denominated in foreign currencies are translated at the functional currency exchange rate as of the balance sheet date. All resulting exchange differences that arise are recognised in the statement of income under the line item 'Net trading result'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions, i.e. they do not give rise to exchange differences. Non-monetary items that are measured at fair value (such as equity investments) in a foreign currency are translated using the exchange rates at the date when the fair value is measured, thus the exchange differences are part of the fair value gains or losses.

ii. Translation of the statements of Group companies

Assets and liabilities of foreign operations (foreign subsidiaries and branches) are translated into Erste Group's presentation currency, the euro, at the rate of exchange as of the balance sheet date (closing rate). Their consolidated statement of income and consolidated statement of comprehensive income are translated at the average exchange rate of the respective reporting period calculated on the basis of daily rates. Goodwill, intangible assets (i.e. customer relationships and brand) and fair value adjustments to the carrying amounts of assets and liabilities recognised on acquisition of foreign subsidiaries on the acquisition are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate. However, goodwill of Česká spořitelna a.s. is translated at the historical FX rate as allowed by the transitional provisions in IAS 21.59.

Exchange differences arising on translation are recognised in OCI in the line 'Currency reserve' of the statement of comprehensive income. The accumulated OCI is presented in equity, specifically under 'Currency reserve' in the statement of changes in equity. On disposal of a foreign subsidiary, the cumulative amount of translation differences recognised in other comprehensive income is recognised in the statement of income under the line item 'Other operating result'.

Accounting treatment of issues related to Covid-19

i. Public moratoria and payment holidays

In light of the pervasive existence of Covid-19, also in 2021 a variety of measures have been offered by governments in Erste Group's region aimed at addressing the economic consequences of the outbreak on individuals, households and businesses. Such measures include, for example, public moratoria on repayment of loans, overdraft facilities and mortgages. Further, Erste Group keeps offering renegotiations of repayment schedules and payment holidays on a voluntary basis to customers facing liquidity shortages.

The public moratoria in general relate to customers which were performing before the outbreak of the Covid-19 pandemic. In 2021 all public moratoria were based on an opt-in approach, meaning that customers have to ask the bank for the payment reliefs. In 2020, also opt-out public moratoria were in place in Hungary and Serbia whereby the customers were automatically subject to the moratorium. The range of payment deferral periods in Erste Group countries was enacted between 3 to 11 months. However, prolongations of the moratoria have been provided afterwards in some countries, such as in Hungary, Croatia and Romania. Apart from prolongations, also new moratorium schemes were issued by local governments, for example, in Hungary, in Serbia and in Czech Republic. For those moratoria when an economic loss was incurred modification losses were recognised from accounting perspective. Such economic losses mostly resulted from the fact that the interest accrued on the deferred payments, instead of being repaid or capitalised at the end of the moratorium, is repaid over the period after the moratorium.

Both public moratoria and voluntarily granted payment holidays modify contractual cash flows of the related financial asset and are therefore treated as contractual modifications within the meaning of IFRS 9. The accounting policies disclosed in chapter 'Financial instruments – Significant accounting policies', part 'Derecognition of financial instruments including treatment of contractual modifications' apply.

The public moratoria and payment holidays applied 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 present value effect of the modification is less than 10%, thus it is below the threshold defined for significant modifications leading to derecognition.

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'.

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 34 Credit risk.

In 2021, out of the total modification losses incurred in the amount of EUR 43.5 million, Erste Group did not incur significant modification losses related to Covid-19 related public or private moratoria. In 2020, Erste Group incurred modification losses in total amount of EUR 73.6 million, thereof the vast majority related to contractual modifications arising from Covid-19-related public or private moratoria.

ii. 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. The relevant accounting policy for financial guarantees is disclosed in note 42 Provisions, part Financial guarantees. Financial guarantees received in the context of public Covid-19 measures 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.

iii. Impairment of non-financial assets

Following the thorough analysis of potential impairment of Erste Group's non-financial assets, including goodwill, performed for the 2020 year end, no additional impairment indicators have been identified as at 31 December 2021. As a result, no Covid-19 related impairments on non-financial assets were recognised in 2021.

iv. Impairment of financial instruments

The impairment loss in the line item 'Impairment result from financial instruments' in the amount of EUR 158.7 million was affected by a release of impairment in the amount of EUR 39.1 million which is directly attributable to changes in macro environment and management actions to identify mostly affected portfolios due to Covid-19 pandemic. In 2020, the impairment loss directly attributable Covid-19 effects was EUR 823.4 million out of the overall impairment result in the amount of EUR 1,294.8 million.

Details on the effects of Covid-19 on the expected credit loss estimation are described in Note 34 Credit risk.

d) Significant accounting judgements, assumptions and estimates

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

- _ Taxes on income and deferred tax assets (Note 13 Taxes on income)
- _ SPPI assessment of financial instruments (Chapter Financial instruments – Significant accounting policies)
- _ Business model assessment of financial instruments (Chapter Financial instruments – Significant accounting policies)
- _ Financial liabilities stemming from the TLTRO programme of the ECB (Chapter Financial instruments – Significant accounting policies, Note 19 Financial liabilities at amortised cost)
- _ Fair value of financial instruments (Note 26 Fair value of financial instruments)
- _ Impairment of financial instruments (Chapter Financial instruments – Significant accounting policies, Note 34 Credit risk)
- _ Impairment of non-financial assets (Chapter Non-current assets and other investments)
- _ Provisions (Note 42 Provisions)
- _ Defined employees benefit plans (Note 42 Provisions)
- _ Control of subsidiaries (Note 46 Subsidiaries)
- _ Significant influence in associates and joint ventures (Note 47 Investments in associates and joint ventures)
- _ Interest in structured entities (Note 48 Unconsolidated structured entities)

The Covid-19 pandemic increased the level of uncertainty. The consequences for the economy as well as the measures taken by governments and regulators are likely to continue to affect Erste Group's financial performance and position. The potential effects include significant impacts on expected credit losses, on operating income as well as impacts of potential goodwill and other non-financial assets impairment assessments. All effects that could be reasonably estimated were recognised by 2021 end. Erste Group will continue to follow the developments closely and will recognise any effects as the situation further unfolds.

e) Application of amended and new IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2021. As regards new standards and interpretations and their amendments, only those that are relevant for the business of Erste Group are listed below.

Effective standards and interpretations

The following amendments of standards have become mandatory for the financial year 2021 and have been endorsed by the EU:

- _ Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- _ Amendments to IFRS 16 Leases: Covid-19- Related Rent Concessions beyond 30 June 2021

Application of the above mentioned amendments in 2021 did not have a significant impact on Erste Group's financial statements.

Standards and interpretations not yet effective

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

Following amendments to standards are already endorsed by the EU:

- _ Annual Improvements to IFRSs 2018-2020 Cycle
- _ IFRS 17: Insurance contracts

Following standards and amendments and interpretations have not yet been endorsed by the EU until 18 February 2022:

- _ Amendments to IAS 1: Disclosure of Accounting Policies
- _ Amendments to IAS 8: Definition of Accounting Estimates
- _ Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Annual Improvements to IFRSs 2018-2020 Cycle. In May 2020, the IASB issued a set of amendments to various standards. The amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 9 clarifies that only fees paid or received between the entity (the borrower) and the lender are included in applying the '10 per cent' test for derecognition of a financial liability. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

IFRS 17: Insurance contracts. IFRS 17 was issued in May 2017 and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Erste Group is in process of assessing whether some of its contracts fall in scope of IFRS 17. Erste Group will estimate the effect on its financial statements when this has been clarified.

Amendments to IAS 1: Disclosure of Accounting policies. The amendments to IAS 1 were issued In February 2021 and are effective for annual periods beginning on or after 1 January 2023. The amendments specify that an entity is required to disclose its material accounting policy information. A guidance was added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements. However, revisions in the disclosures of the accounting policies may be required.

Amendments to IAS 8: Definition of Accounting Estimates. The amendments to IAS 8 were issued In February 2021 and are effective for annual periods beginning on or after 1 January 2023. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendments to IAS 12 were issued In March 2021 and are effective for annual periods beginning on or after 1 January 2023. The amendments specify that the initial recognition exemption stipulated in IAS 12.15(b) and IAS12.24 does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

PERFORMANCE / RETURN

1. Segment reporting

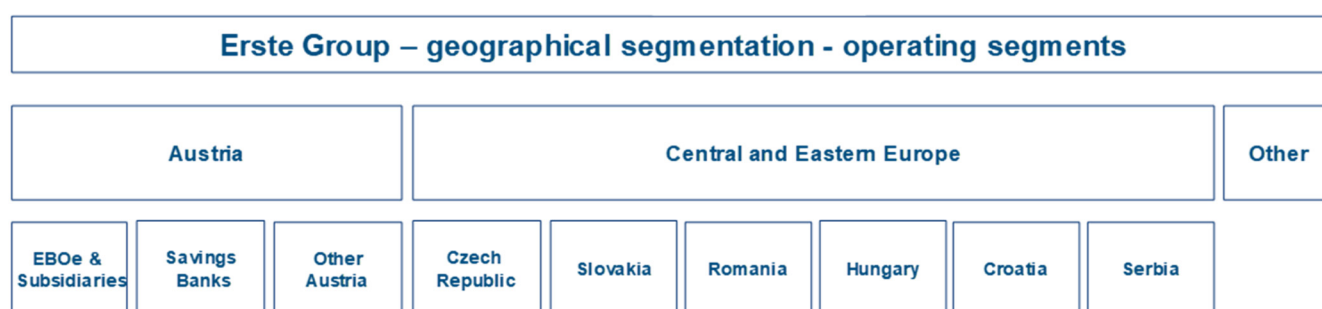
Erste Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments 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 uses a matrix organisational structure with geographical segmentation and business segments. Since the chief operating decision maker performs the steering primarily based on geographical segments, those are defined as operating segments according to IFRS 8. In order to provide more comprehensive information, the performance of the business segments is reported additionally.

Geographical segmentation (operating segments)

For the purpose of segment reporting geographical segments are defined as operating segments, for which the information is presented on the basis of the booking entity's location (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 core 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 operating 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 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.
- 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 operating segments covering Erste Group's banking subsidiaries located in the respective CEE countries:

- **Czech Republic** (comprising Česká spořitelna Group)
- **Slovakia** (comprising Slovenská sporiteľňa Group)
- **Romania** (comprising Banca Comercială Română Group)
- **Hungary** (comprising Erste Bank Hungary Group)
- **Croatia** (comprising Erste Bank Croatia Group)
- **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. intragroup eliminations, dividend eliminations) are also part of the segment Other. Intragroup eliminations are equal to the Intragroup eliminations shown in the business segmentation view (see the table 'Business segments (2)').

Business segmentation

Apart from geographical segments, which are Erste Group's operating segments, business segments are reported as well.



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.

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.

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 is identical to the operating segment Savings banks.

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.

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).

Operating segments: Geographical segmentation – overview

in EUR million	Austria		Central and Eastern Europe		Other		Total Group	
	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21
Net interest income	2,158.6	2,143.9	2,475.4	2,617.5	140.9	214.3	4,774.8	4,975.7
Net fee and commission income	1,176.1	1,345.9	894.8	1,043.9	-94.1	-86.1	1,976.8	2,303.7
Dividend income	9.8	14.4	3.5	7.9	6.6	10.9	19.9	33.2
Net trading result	-17.2	33.9	214.9	226.7	-60.1	-201.9	137.6	58.6
Gains/losses from financial instruments at FVPL	23.6	74.3	20.1	-31.6	18.3	130.5	62.0	173.2
Net result from equity method investments	1.8	-0.6	4.7	10.8	3.9	5.2	10.4	15.4
Rental income from investment properties & other operating leases	143.7	149.3	49.8	48.1	-19.9	-15.1	173.6	182.3
General administrative expenses	-2,184.8	-2,163.5	-1,842.6	-1,941.3	-193.1	-201.7	-4,220.5	-4,306.5
thereof depreciation and amortization	-178.0	-175.0	-265.0	-267.2	-97.8	-105.9	-540.9	-548.0
Gains/losses from derecognition of financial assets at AC	7.7	-0.8	0.3	-7.0	-1.1	0.2	6.8	-7.6
Other gains/losses from derecognition of financial instruments not at FVPL	-0.6	-21.7	0.7	-1.9	-0.5	-1.5	-0.4	-25.2
Impairment result from financial instruments	-605.3	-4.3	-711.2	-163.5	21.7	9.0	-1,294.8	-158.8
Other operating result	-35.2	-21.1	-223.0	-175.4	-20.1	-114.0	-278.3	-310.5
Levies on banking activities	-8.5	-9.6	-92.2	-63.0	-17.0	-0.9	-117.7	-73.5
Pre-tax result from continuing operations	678.3	1,549.5	887.2	1,634.2	-197.5	-250.3	1,368.0	2,933.4
Taxes on income	-95.2	-377.6	-188.1	-330.9	-59.2	183.3	-342.5	-525.2
Net result for the period	583.1	1,171.9	699.1	1,303.3	-256.7	-67.0	1,025.5	2,408.1
Net result attributable to non-controlling interests	216.2	431.0	22.0	51.5	4.1	2.2	242.3	484.8
Net result attributable to owners of the parent	366.9	740.9	677.2	1,251.7	-260.9	-69.3	783.1	1,923.4
Operating income	3,496.5	3,760.9	3,663.1	3,923.3	-4.4	57.8	7,155.1	7,742.0
Operating expenses	-2,184.8	-2,163.5	-1,842.6	-1,941.3	-193.1	-201.7	-4,220.5	-4,306.5
Operating result	1,311.7	1,597.5	1,820.4	1,982.0	-197.5	-143.9	2,934.6	3,435.5
Risk-weighted assets (credit risk, eop)	52,187	58,570	43,346	47,178	2,933	2,711	98,466	108,459
Average allocated capital	6,789	8,348	7,189	8,573	7,467	6,308	21,445	23,229
Cost/income ratio	62.5%	57.5%	50.3%	49.5%	>100%	>100%	59.0%	55.6%
Return on allocated capital	8.6%	14.0%	9.7%	15.2%	-3.4%	-1.1%	4.8%	10.4%
Total assets (eop)	182,528	199,308	119,760	134,082	-24,894	-25,962	277,394	307,428
Total liabilities excluding equity (eop)	146,072	161,679	107,557	121,281	1,354	954	254,983	283,915
Impairments	-612.3	-9.1	-767.9	-216.2	28.1	-3.9	-1,352.1	-229.1
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-516.2	34.9	-645.0	-109.5	25.6	20.6	-1,135.6	-54.1
Net impairment loss on commitments and guarantees given	-89.1	-39.2	-66.2	-54.0	-3.9	-11.6	-159.2	-104.8
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	-8.1	-3.9	25.7	-9.8	17.5	-13.7
Net impairment on other non-financial assets	-7.0	-4.8	-48.6	-48.8	-19.3	-3.1	-74.8	-56.7

Operating segments: Geographical area Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21
Net interest income	638.2	646.4	1,069.4	1,080.3	451.0	417.2	2,158.6	2,143.9
Net fee and commission income	406.6	460.1	519.6	584.5	249.9	301.3	1,176.1	1,345.9
Dividend income	6.4	6.2	4.6	5.2	-1.2	2.9	9.8	14.4
Net trading result	6.5	-19.4	8.1	-8.6	-31.7	61.8	-17.2	33.9
Gains/losses from financial instruments at FVPL	7.3	36.4	8.5	51.1	7.8	-13.3	23.6	74.3
Net result from equity method investments	1.6	-0.1	0.0	0.0	0.1	-0.5	1.8	-0.6
Rental income from investment properties & other operating leases	59.5	63.7	38.4	41.7	45.7	43.9	143.7	149.3
General administrative expenses	-711.4	-702.7	-1,106.1	-1,108.8	-367.2	-352.0	-2,184.8	-2,163.5
thereof depreciation and amortization	-54.2	-55.7	-85.0	-82.1	-38.8	-37.2	-178.0	-175.0
Gains/losses from derecognition of financial assets at AC	0.1	-2.0	0.1	1.2	7.4	0.0	7.7	-0.8
Other gains/losses from derecognition of financial instruments not at FVPL	-0.1	-0.5	-1.7	-0.8	1.2	-20.4	-0.6	-21.7
Impairment result from financial instruments	-135.8	-31.5	-267.2	23.8	-202.3	3.4	-605.3	-4.3
Other operating result	-9.6	-32.2	-2.6	-16.3	-23.1	27.4	-35.2	-21.1
Levies on banking activities	-3.7	-4.3	-4.7	-5.2	-0.1	-0.1	-8.5	-9.6
Pre-tax result from continuing operations	269.4	424.3	271.2	653.4	137.8	471.8	678.3	1,549.5
Taxes on income	-11.5	-97.3	-54.3	-167.8	-29.4	-112.4	-95.2	-377.6
Net result for the period	257.9	326.9	216.8	485.6	108.3	359.3	583.1	1,171.9
Net result attributable to non-controlling interests	35.9	20.3	175.2	402.4	5.1	8.2	216.2	431.0
Net result attributable to owners of the parent	222.0	306.6	41.6	83.2	103.2	351.1	366.9	740.9
Operating income	1,126.1	1,193.3	1,648.6	1,754.3	721.8	813.3	3,496.5	3,760.9
Operating expenses	-711.4	-702.7	-1,106.1	-1,108.8	-367.2	-352.0	-2,184.8	-2,163.5
Operating result	414.7	490.6	542.5	645.5	354.5	461.3	1,311.7	1,597.5
Risk-weighted assets (credit risk, eop)	12,578	15,206	24,185	26,903	15,424	16,461	52,187	58,570
Average allocated capital	1,657	1,995	3,063	3,891	2,069	2,462	6,789	8,348
Cost/income ratio	63.2%	58.9%	67.1%	63.2%	50.9%	43.3%	62.5%	57.5%
Return on allocated capital	15.6%	16.4%	7.1%	12.5%	5.2%	14.6%	8.6%	14.0%
Total assets (eop)	52,572	59,824	73,219	78,539	56,737	60,945	182,528	199,308
Total liabilities excluding equity (eop)	50,363	57,324	67,984	72,828	27,726	31,527	146,072	161,679
Impairments	-135.7	-31.5	-271.5	23.0	-205.1	-0.6	-612.3	-9.1
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-124.2	-25.8	-232.9	45.5	-159.2	15.2	-516.2	34.9
Net impairment loss on commitments and guarantees given	-11.6	-5.7	-34.4	-21.7	-43.2	-11.8	-89.1	-39.2
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.1	0.0	-4.3	-0.8	-2.8	-4.0	-7.0	-4.8

Operating segments: Geographical area Central and Eastern Europe

in EUR million	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21
Net interest income	1,049.0	1,150.5	438.4	434.9	435.7	432.6	217.9	257.2	270.8	269.5	63.6	72.8	2,475.4	2,617.5
Net fee and commission income	311.6	358.2	147.1	174.3	146.8	176.4	181.1	207.4	92.0	107.5	16.1	20.2	894.8	1,043.9
Dividend income	2.1	6.5	0.6	0.6	0.7	0.7	0.0	0.1	0.1	0.1	0.0	0.0	3.5	7.9
Net trading result	72.1	67.5	12.2	9.8	70.7	77.4	28.0	37.9	28.0	29.4	4.0	4.7	214.9	226.7
Gains/losses from financial instruments at FVPL	22.6	-4.0	-0.5	-0.8	3.0	0.5	-3.3	-27.9	-1.8	0.6	0.0	0.0	20.1	-31.6
Net result from equity method investments	1.2	3.0	2.9	5.9	-0.4	0.7	0.0	0.0	1.0	1.1	0.0	0.1	4.7	10.8
Rental income from investment properties & other operating leases	8.1	8.3	0.3	0.3	22.2	22.7	7.7	8.1	11.4	8.7	0.1	0.1	49.8	48.1
General administrative expenses	-722.4	-795.3	-287.1	-292.4	-344.9	-339.7	-213.3	-230.7	-214.6	-217.8	-60.3	-65.4	-1,842.6	-1,941.3
thereof depreciation and amortization	-103.9	-106.1	-36.5	-33.4	-45.4	-43.8	-40.4	-45.0	-33.3	-33.1	-5.4	-5.9	-265.0	-267.2
Gains/losses from derecognition of financial assets at AC	0.0	-9.3	0.0	0.0	0.0	0.0	0.5	2.4	-0.1	0.0	-0.1	-0.1	0.3	-7.0
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	-0.2	0.0	-2.6	0.0	0.0	0.7	0.8	0.0	0.1	0.0	0.0	0.7	-1.9
Impairment result from financial instruments	-299.8	-69.4	-107.9	-1.1	-107.7	-46.4	-78.0	-16.2	-104.2	-22.2	-13.5	-8.2	-711.2	-163.5
Other operating result	-25.6	-66.5	-49.3	-15.5	-60.2	-32.8	-66.6	-60.2	-16.7	5.2	-4.7	-5.6	-223.0	-175.4
Levies on banking activities	0.0	0.0	-33.8	0.0	0.0	0.0	-58.4	-63.0	0.0	0.0	0.0	0.0	-92.2	-63.0
Pre-tax result from continuing operations	418.8	649.3	156.9	313.3	165.7	292.0	74.6	178.9	66.0	182.2	5.2	18.4	887.2	1,634.2
Taxes on income	-84.0	-145.1	-41.1	-75.4	-43.2	-55.6	-18.5	-22.9	-1.6	-30.9	0.2	-1.0	-188.1	-330.9
Net result for the period	334.8	504.2	115.8	237.9	122.6	236.4	56.1	156.0	64.4	151.3	5.4	17.4	699.1	1,303.3
Net result attributable to non-controlling interests	0.1	0.1	0.0	0.0	0.1	0.3	0.0	0.0	20.5	47.6	1.2	3.6	22.0	51.5
Net result attributable to owners of the parent	334.7	504.1	115.8	237.9	122.4	236.1	56.1	156.0	43.9	103.7	4.2	13.9	677.2	1,251.7
Operating income	1,466.6	1,589.9	601.2	625.0	678.6	710.9	431.4	482.7	401.5	416.9	83.8	97.9	3,663.1	3,923.3
Operating expenses	-722.4	-795.3	-287.1	-292.4	-344.9	-339.7	-213.3	-230.7	-214.6	-217.8	-60.3	-65.4	-1,842.6	-1,941.3
Operating result	744.2	794.6	314.1	332.6	333.7	371.2	218.1	252.0	187.0	199.1	23.4	32.4	1,820.4	1,982.0
Risk-weighted assets (credit risk, eop)	17,666	19,634	7,624	8,105	6,786	7,319	3,967	4,272	5,814	6,168	1,489	1,680	43,346	47,178
Average allocated capital	2,590	3,034	1,103	1,282	1,415	1,723	967	1,205	889	1,071	225	259	7,189	8,573
Cost/income ratio	49.3%	50.0%	47.8%	46.8%	50.8%	47.8%	49.4%	47.8%	53.4%	52.2%	72.0%	66.9%	50.3%	49.5%
Return on allocated capital	12.9%	16.6%	10.5%	18.6%	8.7%	13.7%	5.8%	13.0%	7.2%	14.1%	2.4%	6.7%	9.7%	15.2%
Total assets (eop)	58,600	66,045	20,705	23,157	16,841	18,238	10,162	11,569	10,899	12,262	2,553	2,812	119,760	134,082
Total liabilities excluding equity (eop)	52,909	60,284	18,914	21,104	14,921	16,273	8,997	10,339	9,546	10,792	2,269	2,489	107,557	121,281
Impairments	-297.7	-92.6	-116.3	-3.5	-153.5	-68.8	-79.3	-15.6	-107.5	-27.4	-13.5	-8.2	-767.9	-216.2
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-282.7	-57.2	-97.0	7.3	-88.5	-34.1	-72.8	-16.5	-90.3	-1.0	-13.8	-8.0	-645.0	-109.5
Net impairment loss on commitments and guarantees given	-17.1	-12.2	-10.9	-8.4	-19.3	-12.3	-5.2	0.4	-13.9	-21.2	0.3	-0.2	-66.2	-54.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	-8.1	-3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-8.1	-3.9
Net impairment on other non-financial assets	2.0	-23.2	-0.2	1.5	-45.7	-22.4	-1.3	0.6	-3.3	-5.2	0.0	0.0	-48.6	-48.8

Business segments (1)

in EUR million	Retail		Corporates		Group Markets		ALM&LCC	
	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21
Net interest income	2,083.7	2,102.4	1,109.4	1,190.7	252.2	205.8	86.2	223.2
Net fee and commission income	1,047.9	1,206.6	282.3	332.5	240.9	289.9	-79.3	-85.6
Dividend income	0.0	0.4	0.8	0.5	-2.0	0.1	9.9	16.1
Net trading result	96.2	121.6	76.7	100.5	20.9	120.2	-39.9	-206.2
Gains/losses from financial instruments at FVPL	-6.8	-30.9	-12.6	-0.7	17.6	-10.1	53.1	179.8
Net result from equity method investments	3.9	7.0	0.0	0.0	0.0	0.0	2.6	3.1
Rental income from investment properties & other operating leases	23.9	24.0	104.7	109.6	0.0	0.4	25.5	24.7
General administrative expenses	-2,067.7	-2,111.8	-535.7	-543.7	-232.0	-237.3	-107.4	-124.1
thereof depreciation and amortization	-261.6	-270.0	-66.4	-63.8	-16.8	-17.5	-13.6	-9.2
Gains/losses from derecognition of financial assets at AC	0.0	-2.6	7.3	0.2	0.0	0.0	-0.4	-4.3
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.7	0.6	1.2	-0.1	-0.2	-28.0
Impairment result from financial instruments	-392.2	-122.4	-656.0	-60.0	-0.8	-5.6	-3.0	-2.3
Other operating result	-69.0	-55.6	-73.6	-12.5	-26.9	-27.5	-111.2	-105.5
Levies on banking activities	-61.0	-41.0	-23.6	-23.2	-4.0	-4.9	-7.3	1.7
Pre-tax result from continuing operations	720.1	1,138.7	304.1	1,117.7	271.1	335.8	-164.2	-109.0
Taxes on income	-121.7	-217.6	-63.1	-214.9	-56.3	-70.5	48.8	-27.0
Net result for the period	598.4	921.1	241.0	902.8	214.8	265.4	-115.4	-136.0
Net result attributable to non-controlling interests	14.5	31.3	47.3	44.4	3.9	4.8	-2.7	-0.4
Net result attributable to owners of the parent	583.9	889.7	193.7	858.4	211.0	260.6	-112.7	-135.6
Operating income	3,248.8	3,431.1	1,561.3	1,733.1	529.7	606.3	58.0	155.1
Operating expenses	-2,067.7	-2,111.8	-535.7	-543.7	-232.0	-237.3	-107.4	-124.1
Operating result	1,181.2	1,319.3	1,025.6	1,189.4	297.7	369.0	-49.4	31.0
Risk-weighted assets (credit risk, eop)	18,451	21,808	43,965	47,329	3,209	3,305	5,932	6,704
Average allocated capital	3,254	3,641	4,746	5,330	880	1,104	3,210	4,420
Cost/income ratio	63.6%	61.5%	34.3%	31.4%	43.8%	39.1%	>100%	80.0%
Return on allocated capital	18.4%	25.3%	5.1%	16.9%	24.4%	24.0%	-3.6%	-3.1%
Total assets (eop)	65,948	71,408	59,531	64,742	43,529	47,772	71,508	84,054
Total liabilities excluding equity (eop)	100,342	111,352	32,706	36,989	37,968	41,902	53,213	60,682
Impairments	-392.6	-121.6	-713.9	-83.8	-0.8	-5.6	-22.0	-36.8
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-387.9	-123.7	-536.4	5.7	-1.1	0.1	-5.4	-0.8
Net impairment loss on commitments and guarantees given	-4.3	1.4	-119.6	-65.7	0.3	-5.8	2.4	-1.5
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	0.1	0.2	0.0	0.0	-8.3	-4.1
Net impairment on other non-financial assets	-0.5	0.8	-58.0	-24.0	0.0	0.0	-10.8	-30.4

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21	1-12 20	1-12 21
Net interest income	1,069.4	1,080.3	89.1	100.5	85.0	72.7	4,774.8	4,975.7
Net fee and commission income	519.6	584.5	6.6	5.9	-41.2	-30.1	1,976.8	2,303.7
Dividend income	4.6	5.2	6.6	10.9	0.0	0.0	19.9	33.2
Net trading result	8.1	-8.6	35.0	-11.9	-59.4	-57.1	137.6	58.6
Gains/losses from financial instruments at FVPL	8.5	51.1	2.2	-15.9	0.0	0.0	62.0	173.2
Net result from equity method investments	0.0	0.0	3.9	5.2	0.0	0.0	10.4	15.4
Rental income from investment properties & other operating leases	38.4	41.7	-18.6	-17.7	-0.4	-0.4	173.6	182.3
General administrative expenses	-1,106.1	-1,108.8	-1,013.0	-904.2	841.3	723.4	-4,220.5	-4,306.5
thereof depreciation and amortization	-85.0	-82.1	-121.2	-126.6	23.8	21.1	-540.9	-548.0
Gains/losses from derecognition of financial assets at AC	0.1	1.2	0.0	1.2	-0.2	-3.4	6.8	-7.6
Other gains/losses from derecognition of financial instruments not at FVPL	-1.7	-0.8	-0.7	0.0	0.2	3.2	-0.4	-25.2
Impairment result from financial instruments	-267.2	23.8	24.4	7.7	0.0	0.0	-1,294.8	-158.8
Other operating result	-2.6	-16.3	830.2	615.2	-825.3	-708.3	-278.3	-310.5
Levies on banking activities	-4.7	-5.2	-17.0	-0.9	0.0	0.0	-117.7	-73.5
Pre-tax result from continuing operations	271.2	653.4	-34.3	-203.3	0.0	0.0	1,368.0	2,933.4
Taxes on income	-54.3	-167.8	-96.0	172.6	0.0	0.0	-342.5	-525.2
Net result for the period	216.8	485.6	-130.2	-30.7	0.0	0.0	1,025.5	2,408.1
Net result attributable to non-controlling interests	175.2	402.4	4.1	2.2	0.0	0.0	242.3	484.8
Net result attributable to owners of the parent	41.6	83.2	-134.4	-32.9	0.0	0.0	783.1	1,923.4
Operating income	1,648.6	1,754.3	124.8	76.9	-16.0	-14.8	7,155.1	7,742.0
Operating expenses	-1,106.1	-1,108.8	-1,013.0	-904.2	841.3	723.4	-4,220.5	-4,306.5
Operating result	542.5	645.5	-888.2	-827.3	825.3	708.5	2,934.6	3,435.5
Risk-weighted assets (credit risk, eop)	24,185	26,903	2,725	2,411	0	0	98,466	108,459
Average allocated capital	3,063	3,891	6,293	4,843	0	0	21,445	23,229
Cost/income ratio	67.1%	63.2%	>100%	>100%	>100%	>100%	59.0%	55.6%
Return on allocated capital	7.1%	12.5%	-2.1%	-0.6%			4.8%	10.4%
Total assets (eop)	73,219	78,539	2,810	3,597	-39,152	-42,684	277,394	307,428
Total liabilities excluding equity (eop)	67,984	72,828	1,969	2,903	-39,197	-42,741	254,983	283,915
Impairments	-271.5	23.0	48.8	-4.4	0.0	0.0	-1,352.1	-229.1
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-232.9	45.5	28.1	19.1	0.0	0.0	-1,135.6	-54.1
Net impairment loss on commitments and guarantees given	-34.4	-21.7	-3.6	-11.4	0.0	0.0	-159.2	-104.8
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	25.7	-9.8	0.0	0.0	17.5	-13.7
Net impairment on other non-financial assets	-4.3	-0.8	-1.3	-2.3	0.0	0.0	-74.8	-56.7

2. Net interest income

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

‘Interest income’ relates to interest revenue from financial assets measured at amortised cost and at fair value through other comprehensive income. It is calculated using the EIR method as discussed in chapter ‘Financial instruments – Significant accounting policies’.

‘Other similar income’ captures interest-like sources of income resulting from non-derivative financial assets measured at fair value through profit or loss, held for trading derivatives, hedge accounting derivatives, finance lease receivables and negative interest on financial liabilities. Negative interest on financial liabilities also includes fees which are charged on deposits from corporate customers based on a specific percentage of outstanding balances.

‘Interest expenses’ relate to interest expense from financial liabilities measured at amortised cost calculated using effective interest rate as discussed in chapter ‘Financial instruments – Significant accounting policies’.

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

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

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

in EUR million	1-12 20	1-12 21
Financial assets at AC	4,921.4	4,939.8
Financial assets at FVOCI	186.6	169.0
Interest income	5,107.9	5,108.9
Non-trading financial assets at FVPL	60.8	58.0
Financial assets HfT	1,200.5	1,005.0
Hedge accounting derivatives, interest rate risk	-33.6	-19.8
Other assets	119.7	116.7
Negative interest from financial liabilities	114.3	316.5
Other similar income	1,461.7	1,476.5
Interest and other similar income	6,569.7	6,585.4
Financial liabilities at AC	-621.2	-483.8
Interest expenses	-621.2	-483.8
Financial liabilities at FVPL	-346.7	-272.6
Financial liabilities HfT	-855.4	-785.0
Hedge accounting derivatives, interest rate risk	142.1	121.8
Other liabilities	-31.8	-19.1
Negative interest from financial assets	-81.8	-170.9
Other similar expenses	-1,173.6	-1,125.9
Interest and other similar expenses	-1,794.8	-1,609.7
Net interest income	4,774.8	4,975.7

An amount of EUR 80.2 million (2020: EUR 78.4 million) relating to impaired financial assets is included in interest income. In addition modification gains or losses of financial instruments allocated to Stage 1 in the amount of EUR -7.8 million (2020: EUR -36.5 million) is reported in line item ‘Financial assets at AC’.

The amounts disclosed in the line items ‘Negative interest from financial liabilities’ and ‘Negative interest from financial assets’ largely relate to the interbank business, deposits and refinancing with central banks.

Negative interest from financial liabilities at AC include also catch-up gains from TLTRO III in the amount of EUR 93.0 million (2020: EUR 8.0 million). For more details refer to Note 19 Financial liabilities at amortised costs.

3. Net fee and commission income

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

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

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

Fee income earned from providing transaction services, such as arranging the acquisition and sale of shares or other securities on behalf of customers or foreign exchange transactions, as well as commission income earned from services such as the sale of collective investments and insurance products, are recognised upon completion of the underlying transaction. Payment services partly include transaction based fees like withdrawal fees.

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

in EUR million	1-12 20		1-12 21	
	Income	Expenses	Income	Expenses
Securities	242.7	-40.6	282.2	-57.0
Issues	35.9	-1.0	37.8	-5.4
Transfer orders	194.1	-38.3	229.6	-40.1
Other	12.7	-1.3	14.8	-11.5
Clearing and settlement	1.4	-3.2	1.6	-3.6
Asset management	401.2	-39.5	508.0	-52.9
Custody	106.5	-21.4	133.0	-14.6
Fiduciary transactions	1.1	-0.1	1.3	0.0
Payment services	1,090.2	-186.8	1,212.7	-205.3
Card business	334.1	-147.5	351.2	-133.5
Other	756.1	-39.3	861.6	-71.8
Customer resources distributed but not managed	228.0	-7.7	261.9	-8.1
Collective investment	16.7	-1.5	29.1	-2.1
Insurance products	184.8	-2.6	201.2	-1.3
Building society brokerage	0.7	-0.9	0.7	-0.9
Foreign exchange transactions	24.4	-1.3	29.2	-2.0
Other	1.3	-1.3	1.7	-1.9
Structured finance	0.4	-0.1	1.0	0.0
Servicing fees from securitization activities	0.0	-2.1	0.0	-2.0
Lending business	185.8	-38.6	206.2	-46.3
Guarantees given, guarantees received	74.8	-3.4	79.1	-2.4
Loan commitments given, loan commitments received	27.3	-0.8	40.0	-1.0
Other lending business	83.7	-34.4	87.1	-42.9
Other	97.1	-37.8	114.0	-28.6
Total fee and commission income and expenses	2,354.5	-377.7	2,722.1	-418.5
Net fee and commission income	1,976.8		2,303.7	

Asset management, custody and fiduciary transactions fees relate to fees earned by Erste Group on trust and other fiduciary activities in which Erste Group holds or invests assets on behalf of its customers and amount to EUR 574.8 million (2020: EUR 447.9 million). Net fee and commission income above include income of EUR 979.1 million (2020: EUR 891.9 million) relating to financial assets and financial liabilities not measured at FVPL.

4. Dividend income

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

in EUR million	1-12 20	1-12 21
Financial assets HFT	1.0	1.4
Non-trading financial assets at FVPL	10.6	23.0
Financial assets at FVOCI	8.3	8.7
Dividend income	19.9	33.2

5. Net trading result

Results arising from trading activities include all gains and losses from changes in the fair value (clean price) of financial assets and financial liabilities classified as held for trading, including all derivatives not designated as hedging instruments. Further, the net trading result includes any ineffective portions recorded in fair value and cash flow hedge transactions. Also, foreign exchange gains and losses on all monetary assets and liabilities and from spot currency conversions are included here.

The accounting policy for recognition of foreign exchange gains and losses is described in the chapter Significant accounting policies, b) Accounting and measurement methods, Foreign currency translations, i. Transactions and balances in foreign currency. Detailed information relating to hedge accounting can be found in Note 27 Hedge accounting.

in EUR million	1-12 20	1-12 21
Securities and derivatives trading	-57.2	-227.6
Foreign exchange transactions	191.7	297.0
Result from hedge accounting	3.0	-10.8
Net trading result	137.6	58.6

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

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

in EUR million	1-12 20	1-12 21
Result from measurement/sale of financial assets designated at FVPL	13.2	-11.0
Result from measurement/repurchase of financial liabilities designated at FVPL	21.9	207.8
Result from financial assets and liabilities designated at FVPL	35.0	196.7
Result from measurement/sale of financial assets mandatorily at FVPL	26.9	-23.5
Gains/losses from financial instruments measured at fair value through profit or loss	62.0	173.2

In the reporting period, a loss of EUR 6.6 million (2020: gain of EUR 1.1 million) (before taxes) was transferred from own credit risk reserve to retained earnings due to the repurchase of debt securities (own issues) issued.

7. Rental income from investment properties & other operating leases

Rental income from investment properties and other operating leases is recognised on a straight-line basis over the lease term. Operating expenses for investment properties are reported in line item 'Other operating result'. For further details we refer to Note 12 Other operating result.

in EUR million	1-12 20	1-12 21
Investment properties	99.1	104.9
Other operating leases	74.4	77.4
Rental income from investment properties & other operating leases	173.6	182.3

8. General administrative expenses

Personnel expenses

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

Detailed information about remuneration of management including performance-linked remuneration can be found in Note 49 Related-party transactions and principal shareholders. Detailed information about variable remuneration of employees can be found in Note 50 Share-based payments

Other administrative expenses

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

Depreciation and amortisation

This line item comprises depreciation of property and equipment, depreciation of investment property and amortisation of intangible assets. In the line item 'Depreciation and amortisation', also the depreciation of right-of-use assets according to IFRS 16 is disclosed.

in EUR million	1-12 20	1-12 21
Personnel expenses	-2,520.7	-2,578.1
Wages and salaries	-1,927.1	-1,960.5
Compulsory social security	-466.2	-483.3
Long-term employee provisions	-25.2	-14.0
Other personnel expenses	-102.3	-120.4
Other administrative expenses	-1,158.9	-1,180.3
Deposit insurance contribution	-132.2	-122.4
IT expenses	-425.4	-433.0
Expenses for office space	-158.9	-156.3
Office operating expenses	-119.6	-121.8
Advertising/marketing	-154.6	-167.5
Legal and consulting costs	-114.2	-118.4
Sundry administrative expenses	-54.0	-60.8
Depreciation and amortisation	-540.9	-548.0
Software and other intangible assets	-181.5	-193.3
Owner occupied real estate	-154.2	-150.0
Investment properties	-28.3	-30.4
Customer relationships	-7.7	-7.6
Office furniture and equipment and sundry property and equipment	-169.1	-166.8
General administrative expenses	-4,220.5	-4,306.5

Personnel expenses include expenses of EUR 44.1 million (2020: EUR 42.8 million) for defined contribution plans.

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

	1-12 20	1-12 21
Austria	16,144	15,829
Erste Group Bank AG, Erste Bank Oesterreich and subsidiaries	9,027	8,726
Haftungsverbund savings banks	7,117	7,103
Outside Austria	31,084	29,305
Česká spořitelna Group	9,892	9,742
Banca Comercială Română Group	6,729	5,480
Slovenská sporiteľňa Group	3,931	3,701
Erste Bank Hungary Group	3,218	3,228
Erste Bank Croatia Group	3,309	3,287
Erste Bank Serbia Group	1,173	1,205
Savings banks subsidiaries	1,616	1,464
Other subsidiaries and foreign branch offices	1,217	1,197
Total	47,229	45,134

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

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

in EUR million	1-12 20	1-12 21
Gains from derecognition of financial assets at AC	8.0	10.7
Losses from derecognition of financial assets at AC	-1.2	-18.3
Gains/losses from derecognition of financial assets measured at amortised cost	6.8	-7.6

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

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

in EUR million	1-12 20	1-12 21
Sale of financial assets at FVOCI	1.2	-4.8
Derecognition of financial liabilities at AC	-1.6	-20.4
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	-0.4	-25.2

11. Impairment result from financial instruments

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

in EUR million	1-12 20	1-12 21
Financial assets at FVOCI	-11.0	2.1
Financial assets at AC	-1,115.7	-70.0
Net allocation to credit loss allowances	-1,219.6	-130.8
Direct write-offs	-27.2	-11.8
Recoveries recorded directly to the income statement	140.4	88.3
Modification gains or losses	-9.3	-15.7
Finance lease receivables	-8.9	13.9
Net allocation to credit loss allowances	-11.3	11.7
Direct write-offs	-2.2	-0.3
Recoveries recorded directly to the income statement	4.6	2.5
Modification gains or losses	0.0	0.0
Credit loss allowances for loan commitments and financial guarantees given	-159.2	-104.8
Impairment result from financial instruments	-1,294.8	-158.8

In the following table, the change of the credit loss allowance recognized in balance sheet is compared to the impairment result from financial instruments.

in EUR million	Changes of credit loss allowances			Total
	Impairment result of financial instruments	Other changes through profit or loss	Changes not affecting profit or loss	
Credit loss allowances Jan 21				-4,446.5
Net allocation to credit loss allowances	-241.7			-241.7
Increase due to passage of time (unwinding correction)		-70.7		-70.7
Derecognition due to sales			62.0	62.0
Write-offs			295.6	295.6
Changes in scope of consolidation			-15.5	-15.5
Foreign exchange differences		-31.5		-31.5
Other		1.2		1.2
Credit loss allowances Dec 21				-4,447.1
Impairment gains or losses on POCIs without CLA	19.9			19.9
Direct write-offs	-12.1			-12.1
Recoveries recorded directly to the income statement	90.8			90.8
Modification gains or losses	-15.7			-15.7
Impairment result from financial instruments	-158.8			-158.8

12. Other operating result

The other operating result reflects all other income and expenses not directly attributable to Erste Group's ordinary activities.

In particular this includes impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment, investment property and intangible assets. Any impairment losses on goodwill are also included in this line item. The main reasons for impairment losses to be recognized are summarized hereinafter:

- _ the intention to sell fixed assets and accordingly their re-measurement before reclassifying them based on IFRS 5,
- _ not fully occupied buildings that triggered a lower recoverable amount
- _ recurring measurement for foreclosed assets at the balance sheet date and
- _ recurring measurement for own used items of property at the balance sheet date and
- _ concessions and other intangibles for which measurable economic benefits are no longer expected in the future

In addition, the other operating result encompasses the following: expenses for other taxes; income from the release of and expenses for allocations to provisions, selling gains and losses on equity investments accounted for using the equity method; and gains or losses from derecognition of subsidiaries.

Furthermore, levies on banking activities are considered as part of the other operating result. Erste Group recognises a liability or a provision for the levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

in EUR million	1-12 20	1-12 21
Other operating expenses	-383.6	-392.8
Allocation to other provisions	-153.9	-198.0
Levies on banking activities	-117.7	-73.5
Banking tax	-73.7	-25.5
Financial transaction tax	-44.0	-48.0
Other taxes	-18.4	-12.7
Recovery and resolution fund contributions	-93.5	-108.6
Other operating income	135.5	203.1
Release of other provisions	135.5	203.1
Result from properties/movables/other intangible assets other than goodwill	-57.7	-24.3
Result from other operating expenses/income	27.5	-96.5
Other operating result	-278.3	-310.5

Operating expenses (including repair and maintenance) for investment properties held for rental income totalled to EUR 36.1 million (2020: EUR 29.6 million).

Income from reversal of impairment for assets held for sale in the amount of EUR 1.4 million (2020: EUR 3.4 million) is recognised under 'Result from other operating expenses/income'.

Recovery and Resolution Fund

In the line 'Recovery and resolution fund contributions' contributions to the national resolution funds in amount of EUR 108.6 million (2020: EUR 93.5 million) are disclosed. The contributions are based on the European Recovery and Resolution Directive, which, inter alia, establishes a financing mechanism for the resolution of credit institutions. As a consequence, banks are required to contribute annually to a resolution fund, which in a first step is installed on a national level. According to these regulations, until 31 December 2024 the available financial means of the resolution funds shall reach at least 1% of the amount of covered deposits of all the credit institutions authorized within the European Union. Therefore the resolution funds have to be built over a period of 10 years, during which the contributions shall be spread out as even as possible until the target level is reached.

13. Taxes on income

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period. However, they are recognised in other comprehensive income or directly in equity if they arise from a transaction or event which itself is recognised in OCI or equity.

Current tax

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

Coupon payments made to the holders of Additional Tier 1 equity instruments issued by Erste Group Bank AG are tax-deductible interest payments under the Austrian Tax Regulations. Since the AT1 coupons are considered as distributions of profit the income tax effects are recognised in profit or loss.

Deferred tax

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

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

Deferred tax assets and liabilities are measured at the tax rates (and tax laws) that have been enacted or substantively enacted as at balance sheet date and are expected to apply when the temporary differences are reversed. In Austria, tax rates are considered substantively enacted when they have been decided by the National Assembly. For subsidiaries, the local tax environments are considered.

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

Significant accounting judgements, assumptions and estimates

The determination of tax bases are underlying a general level of uncertainty by nature, as interpretation of tax legislation might require judgement. Deferred tax assets are recognised in respect of tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. For this purpose a planning period of 5 years is used.

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

in EUR million	1-12 20	1-12 21
Current tax expense/income	-346.0	-545.3
current period	-353.1	-520.7
prior period	7.2	-24.6
Deferred tax expense/income	3.4	20.1
current period	10.0	15.5
prior period	-6.6	4.5
Total	-342.5	-525.2

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

in EUR million	1-12 20	1-12 21
Pre-tax result from continuing operations	1,368.0	2,933.4
Income tax expense for the financial year at the Austrian statutory tax rate (25%)	-342.0	-733.3
Impact of different foreign tax rates	87.6	149.0
Impact of tax-exempt earnings of investments and other tax-exempt income	148.1	127.8
Tax increases due to non-deductible expenses, additional business tax and similar elements	-163.2	-170.9
Impact on deferred taxes from topics on Group level	-18.4	-171.8
Current period's recognition through P&L of DTA from tax losses, assessed non-recoverable at the end of the prior period	5.5	313.4
Current period's impairment of DTA recognized in prior periods through P&L	-58.5	-2.4
Current period's recognition through P&L of DTA from temporary differences, assessed non-recoverable at the end of the prior period	33.1	0.2
Impact of current non-recoverable fiscal losses and temporary differences for the year	-29.6	-6.8
Tax expense/income not attributable to the reporting period	0.6	-20.0
Tax expense/income from changes of the tax rate or the imposition of new taxes	0.0	0.0
Tax expense/income attributable to other effects	-5.8	-10.4
Total	-342.5	-525.2

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

in EUR million	1-12 20			1-12 21		
	Pre-tax amount	Income tax	Net-of-tax amount	Pre-tax amount	Income tax	Net-of-tax amount
Fair value reserve of equity instruments	5.8	-0.7	5.0	20.4	-5.0	16.4
Fair value reserve of debt instruments	44.4	-10.6	33.8	-188.3	36.6	-151.6
Own credit risk reserve	127.5	-11.9	115.6	82.3	-5.7	76.5
Cash flow hedge reserve	99.2	-18.0	81.2	-298.4	56.9	-241.5
Remeasurement of defined benefit plans	-61.0	2.4	-58.6	28.6	-4.5	24.1
Currency reserve	-338.4	0.0	-338.4	271.0	0.0	271.0
Other comprehensive income	-122.5	-38.8	-161.3	-84.4	78.3	-5.2

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

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

Major components of deferred tax assets and deferred tax liabilities

in EUR million	Tax assets		Tax liabilities		Net variance 2021		Other comprehensive income
	Dec 21	Jan 21	Dec 21	Jan 21	Total	Profit or loss	
Temporary differences related to the following items:							
Financial assets and liabilities HFT and non-trading financial assets and liabilities at FVPL							
Financial assets at FVOCI	4	0	-61	-62	4	-31	32
Financial assets at AC and finance lease receivables	273	314	-149	-119	-71	-73	0
Hedge accounting derivatives	120	87	-32	-48	49	-8	57
Property, plant and equipment	20	27	-111	-112	-6	-5	0
Equity Investments in subsidiaries, associates and joint-ventures	28	45	-8	-8	-17	-17	0
Financial liabilities at AC	201	214	-31	-38	-6	-7	0
Long-term employee provisions (tax valuation different)	130	148	-3	-3	-19	-14	-5
Other provisions (tax valuation different)	72	104	-2	-2	-32	-32	0
Customer relationships, brands and other intangibles	3	4	-86	-88	1	2	0
Other	227	134	-53	-60	101	101	0
Non-recoverable tax position from temporary differences	-147	-161	0	0	14	12	2
Deferred tax position from accumulated tax loss carried forward after recoverability considerations	178	48	0	0	129	129	0
Effect of netting according IAS 12.71	-750	-823	750	823	0	0	0
Total deferred taxes	562	460	-19	-20	103	20	78
Current taxes	135	175	-144	-58	-125	-545	0
Total taxes	697	635	-162	-79	-21	-525	78

in EUR million	Tax assets		Tax liabilities		Net variance 2020		Other comprehensive income
	Dec 20	Jan 20	Dec 20	Jan 20	Total	Profit or loss	
Temporary differences related to the following items:							
Financial assets and liabilities HFT and non-trading financial assets and liabilities at FVPL							
Financial assets at FVOCI	0	6	-62	-74	6	-1	-11
Financial assets at AC and finance lease receivables	314	191	-119	-34	38	38	0
Hedge accounting derivatives	87	126	-48	-22	-64	-47	-18
Property, plant and equipment	27	35	-112	-125	6	7	0
Equity Investments in subsidiaries, associates and joint-ventures	45	93	-8	-3	-53	-53	0
Financial liabilities at AC	214	185	-38	-3	-7	-7	0
Long-term employee provisions (tax valuation different)	148	151	-3	-4	-2	-4	2
Other provisions (tax valuation different)	104	67	-2	-4	39	39	0
Customer relationships, brands and other intangibles	4	17	-88	-84	-18	-18	0
Other	134	104	-60	-108	79	79	0
Non-recoverable tax position from temporary differences	-161	-217	0	0	56	77	-20
Deferred tax position from accumulated tax loss carried forward after recoverability considerations	48	108	0	0	-59	-59	0
Effect of netting according IAS 12.71	-823	-780	823	780	0	0	0
Total deferred taxes	460	477	-20	-18	-18	3	-39
Current taxes	175	81	-58	-61	96	-346	0
Total taxes	635	558	-79	-78	78	-343	-39

The deferred tax assets and liabilities are presented prior to subsidiary-level balance-sheet netting of attributable gross deferred tax assets and gross deferred tax liabilities. The amounts shown in the table are gross amounts before recoverability assessments except for the position deferred tax assets resulting from tax loss carry-forward. The remaining non-recoverable amounts are considered in line 'Non-recoverable tax position from temporary differences' in the table. The position 'Other' comprises all deferred tax positions not being shown as separate positions in the table above.

Out of the total net deferred tax increase of EUR 103 million (2020: decrease EUR 18 million) an amount of EUR 20 million (2020: EUR 3 million) is reflected as deferred tax income in the Group's income statement for the year 2021, whilst an income amount of EUR 78 million (2020: expense EUR 39 million) represents the impact in the Group's other comprehensive income for the year. Furthermore, a deferred tax expense of EUR 3 million (2020: EUR 18 million) representing accumulated OCI in respect of deferred tax recognized for cumulative changes in the fair value of FVOCI equity instruments sold during the year has been transferred into retained earnings, consequent to the related temporary differences reversing upon sale. Similarly, deferred tax income in the amount of EUR 1.6 million (2020: EUR 0 million) representing accumulated OCI in respect of deferred tax recognized for cumulative changes in own credit risk attributable to own issues repurchased during the year has been transferred into retained earnings, consequent to the related temporary differences reversing upon repurchase.

The Group's consolidated deferred tax asset position in amount of EUR 562 million as of 31 December 2021 (2020: EUR 460 million) is expected to be recoverable in the foreseeable future. This is also expected to be the case for deferred tax assets exceeding their deferred tax liabilities by an amount of EUR 12 million as of 31 December 2021 (2020: EUR 15 million) incurred by subsidiaries reporting losses in the current or prior period. These expectations result from year-end recoverability assessments undertaken by the Group's entities, either at individual level, or at relevant tax group level. Such assessments are comparing net temporary deductible differences and available fiscal losses at year-end - after offsetting with deferred tax liabilities at individual level or at relevant tax group level - with fiscal profit forecasts for a group-wide unified and unchanged time horizon of a maximum 5 years depending on the fiscal jurisdiction and applicable facts and circumstances. If the result of these assessments is negative, the deferred tax asset positions are correspondingly not recorded and the already existing deferred tax asset positions are correspondingly depreciated.

In accordance with IAS 12.39, no deferred tax liabilities were recognized for temporary differences relating to investments in subsidiaries with an amount of EUR 2,467 million (2020: EUR 2,021 million), as they are not expected to reverse in the foreseeable future. As of 31 December 2021, no deferred tax assets were recognized for tax loss carry-forward and deductible temporary differences with a total amount of EUR 3,839 million (2020: EUR 4,354 million), of which EUR 2,032 million (2020: EUR 3,225 million) relates to tax loss carry-forward, as they are not expected to be realized in the foreseeable future. The figure comprises an amount of EUR 1,218 million (2020: EUR 485 million) representing temporary differences in connection with investments in subsidiaries no deferred tax assets have been recognized for in accordance with IAS 12.44.

From the total of the not recorded deferred tax assets related to tax loss carry-forward in the following period EUR 1 million will expire (2020: EUR 1 million) and in later periods EUR 3 million (2020: EUR 5 million), EUR 493 million (2020: EUR 788 million) will not expire.

14. Appropriation of profit

In the reporting period, Erste Group Bank AG posted a post-tax profit of EUR 1,782,3 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2020 post-tax loss: EUR 118.4 million).

The management board of Erste Group Bank AG will propose a 2021 dividend of EUR 1.60 per share to the 2022 Annual General Meeting (2020: EUR 1.50 per share distributed in two tranches of EUR 0.50 per share on 27 May 2021 and EUR 1.00 per share on 2 December 2021).

Financial instruments – Significant accounting policies

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

Measurement methods for financial instruments

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

i. Amortised cost and effective interest rate

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

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

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

The EIR is used for recognition of interest income and interest expense. Interest income is calculated in the following way:

- _ EIR applied to the gross carrying amount for financial assets that are not credit-impaired (Stage 1 and Stage 2, see part 'Impairment of financial instruments');
- _ EIR applied to the amortised cost for financial assets that are credit-impaired (Stage 3, see part 'Impairment of financial instruments');
- and
- _ credit-adjusted EIR applied to the amortised cost for POCI financial assets.

Interest expense is calculated by applying the EIR to the amortised cost of a financial liability.

ii. Fair value

Fair value is the price that would be received if an asset were sold or paid if a liability were transferred in an orderly transaction between market participants on the measurement date. The definition also applies to fair value measurements of non-financial assets and liabilities. Details on valuation techniques applied for fair value measurement and on the fair value hierarchy are disclosed in Note 26 Fair value of financial instruments.

Initial recognition and measurement

i. Initial recognition

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

ii. Initial measurement

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

Classification and subsequent measurement of financial assets

In accordance with IFRS 9, the classification and subsequent measurement of financial assets depend on the following two criteria:

- (i) The business model for managing the financial assets – the assessment is focused on whether the financial asset is part of a portfolio in which the assets are held in order to collect contractual cash flows, to both collect the contractual cash flows and sell the assets or they are held in other business models.
- (ii) The cash flow characteristics of the financial assets – the assessment is focused on whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

Application of these criteria leads to classification of financial assets into three measurement categories described in the respective note.

- _ Financial assets at amortised cost
- _ Financial assets at fair value through other comprehensive income
- _ Financial assets at fair value through profit or loss

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss. Further details on financial liabilities at amortised cost and financial liabilities at FVPL are in the respective notes: Note 19 Financial liabilities at amortised costs and Note 24 Financial liabilities at fair value through profit or loss.

Impairment of financial instruments

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

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

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

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

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

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

More detailed information about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 34 Credit risk.

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

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

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

Write-offs

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

Erste Group has specified criteria for writing off the unrecoverable balances in its loan business. Write-off can result from forbearance measures whereby the bank contractually waives part of the existing balance in order to help the customers overcome financial difficulties and thus improve the prospects of recovering the remaining loan balance (normally this relates to going concern scenarios for corporate customers). In gone concern scenarios with corporate customers, write-offs of the unrecoverable exposure parts are triggered by enforcement

activities such as filing or termination of legal proceedings (bankruptcy, liquidation, court case). Other write-off triggers may result from decisions about no enforcement due to worthlessness of the claim/collateral or generally from assessment that the receivable is economically lost. For retail customers, the non-recoverability and the timing and amounts of write-off crystallise during the collection process when it becomes evident that the amount due cannot be collected, e.g. due to ongoing bankruptcy proceedings. Residual uncollectable balances are written off after the collection process.

Derecognition of financial instruments including treatment of contractual modifications

i. Derecognition of financial assets

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

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

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

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

In the normal course of running its lending business and in agreement with the respective debtors, Erste Group may renegotiate or otherwise modify some terms or conditions of the underlying contracts. This can involve either market-driven commercial renegotiations or contractual changes aimed at alleviating or preventing borrower's financial difficulty. For the purpose of capturing the economic substance and financial effect of such contractual modifications, Erste Group has developed a set of criteria to assess whether or not the modified terms are substantially different from the original terms.

Commercial interest rate adjustments fulfilling specific conditions do not trigger the modification significance assessment. Instead, they result in a recalculation of the EIR of related loans. Such interest rate adjustments relate to performing non-forborne lending agreements for which a prepayment/early termination option and a sufficiently competitive refinancing market exist. Furthermore, the costs that the debtor would incur in case of prepayment/early termination would have to be assessed as low. Such conditions introduce an implicit floating rate element to the contract. This kind of interest rate adjustments rarely applies to loan assets in Stage 2.

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

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

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

From this perspective, the following criteria lead to derecognition unless they are considered as forbearance measures or they are applied to customers in default or they trigger default (i.e. the derecognition occurs if the modification does not relate to financial difficulties):

- _ repayment schedule changed in a way that the weighted remaining maturity of the assets is modified by more than 100% and at least two years compared to the original asset; or
- _ change in timing/amount of contractual cash flows resulting in the present value of the modified cash flows (discounted at pre-modification effective interest rate) being different by more than 10% of the gross carrying amount of the asset immediately before the modification (cumulative assessment considering all modifications occurring over the last twelve months);

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

- _ a new agreement with materially different terms signed up as part of distressed restructuring following a standstill agreement suspending the rights of the original assets;
- _ consolidation of multiple original loans into one with substantially different terms; or
- _ transformation of a revolving loan into non-revolving.

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

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

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

For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original 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'. However, to the extent that the contractual modification involves the bank giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

iii. Derecognition of financial liabilities

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

Significant accounting judgements, assumptions and estimates

i. SPPI assessment

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

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

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

Interest mismatches features relate to floating rate financial assets where: - the reference rate's (such as Euribor) tenor is different to the rate reset frequency, - time lags arise from interest rates fixed prior to the start of the interest period, or combinations of these features. For this

purpose, Erste Group has developed a so called 'benchmark test' to assess whether the interest mismatch feature could result in contractual (undiscounted) cash flows that are significantly different from a benchmark deal which does not have the interest mismatch feature. For assets with interest mismatches resulting only from lagged rates (i.e. with no tenor mismatches), SPPI compliance is considered to be met based on a qualitative assessment if the time lag between the fixation of the rate and the start of the interest period does not exceed one month.

Performing the quantitative benchmark test was particularly important upon transition to IFRS 9 as at 1 January 2018 for the portfolio existing at that time. Subsequently, the issuance of new loans with interest mismatch features was largely restricted so that a quantitative benchmark test applies only in exceptional cases.

ii. Business model assessment

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

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

iii. Impairment of financial instruments

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

Detailed disclosures about identification of significant increases in credit risk including collective assessment, estimation techniques used to measure 12-month and lifetime expected credit losses and definition of default is provided in Note 34 Credit risk,. The development of loan loss provisions is described in, Note 16 Financial assets at amortised cost, Note 18 Trade and other receivables, Note 25 Financial assets at fair value through other comprehensive income and in chapter Leases for Finance lease receivables.

iv. Financial liabilities stemming from the TLTRO programme of the ECB

Regarding assessments of whether the TLTRO III liabilities contain government grants, how the effective interest rate is determined and changes in estimated cash flows based on expected fulfillment of eligibility conditions see Note 19 Financial liabilities at amortised cost.

Financial instruments held at amortised cost

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

On the balance sheet, these assets are carried at amortised cost, i.e. the gross carrying amount net of the credit loss allowance. They are presented under the line ‘Financial assets at amortised cost’, ‘Trade and other receivables’ and ‘Cash and cash balances’.

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

At Erste Group, financial assets at amortised cost constitute the largest measurement category, which includes the vast majority of loan business to customers (except for certain loans measured at fair value through profit or loss), interbank lending business (including reverse repo transactions), deposits with central banks, investments in debt securities, amounts in the course of settlement, trade and other receivables.

For description of financial liabilities at measured amortised cost refer to Note 19 Financial liabilities at amortised costs.

15. Cash and cash balances

Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. A part of ‘Cash balances at central banks’ represents the mandatory minimum reserve requirement deposits which amounted to EUR 6,355.4 million (2020: EUR 4,575.2 million) at the reporting date. The mandatory minimum reserve requirement is calculated from defined balance sheet items and has to be fulfilled in average through an extended period of time. Therefore, the mandatory minimum reserve requirement deposits are not subject to any restraints.

in EUR million	Dec 20	Dec 21
Cash on hand	7,694	9,781
Cash balances at central banks	27,006	34,682
Other demand deposits at credit institutions	1,139	1,033
Cash and cash balances	35,839	45,495

16. Financial assets at amortised cost

Debt securities

Investments in debt securities measured at amortised cost may be acquired with different business objectives (such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield generating activities). Their common attribute is that significant and frequent sales of such securities are not expected. For a description of what sales are considered as compliant with the held to collect contractual cash flows business model, see paragraph ‘Business model assessment’ in chapter ‘Financial instruments - Significant accounting policies’.

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Dec 21									
Central banks	13	0	0	13	0	0	0	0	13
General governments	29,887	3	0	29,890	-8	0	0	-8	29,882
Credit institutions	4,707	0	0	4,707	-3	0	0	-3	4,705
Other financial corporations	175	1	0	176	0	0	0	0	176
Non-financial corporations	725	54	0	778	-1	-3	0	-4	774
Total	35,508	57	0	35,565	-12	-3	0	-15	35,551
Dec 20									
Central banks	14	0	0	14	0	0	0	0	14
General governments	25,215	11	0	25,227	-7	0	0	-7	25,220
Credit institutions	3,490	19	0	3,510	-2	0	0	-2	3,508
Other financial corporations	135	11	0	146	0	-1	0	-1	145
Non-financial corporations	667	28	3	698	-1	-2	-1	-5	693
Total	29,521	70	3	29,594	-10	-3	-2	-15	29,579

There are no purchased or originated credit-impaired (POCI) debt securities at AC as of 31 December 2021 (31 December 2020).

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 21						Dec 21
Stage 1	-11	-5	3	2	-1	0	-12
Stage 2	-3	0	0	-2	2	0	-3
Stage 3	-2	0	1	0	0	0	0
Total	-15	-5	5	0	1	0	-15
	Jan 20						Dec 20
Stage 1	-7	-7	2	0	0	0	-11
Stage 2	-2	0	0	-1	0	0	-3
Stage 3	-2	0	0	0	0	0	-2
Total	-11	-7	2	-1	1	0	-15

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

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related AC debt securities from Stage 1 (at 1 January 2021 or initial recognition date) to Stages 2 or 3 at 31 December 2021 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

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

The year-end total GCAs of AC debt securities that were initially recognized (purchased) during the year 2021 and not fully derecognized by 31 December 2021 amounts to EUR 9,631.6 million (2020: EUR 5,622.0 million.) The GCA of AC debt securities that were held at 1 January 2021 and derecognized during the year 2021 amounts to EUR 3,356.2 million (2020: EUR 2,524.2 million).

Loans and advances to banks

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Dec 21									
Central banks	16,429	0	0	16,429	-1	0	0	-1	16,428
Credit institutions	4,509	60	0	4,569	-5	-1	0	-5	4,563
Total	20,938	60	0	20,998	-6	-1	0	-6	20,991
Dec 20									
Central banks	16,763	0	0	16,763	-1	0	0	-1	16,762
Credit institutions	4,669	38	0	4,707	-2	0	0	-3	4,704
Total	21,432	38	0	21,469	-3	0	0	-3	21,466

There are no purchased or originated credit-impaired (POCI) AC loans and advances to banks at 31 December 2021 (31 December 2020).

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 21						Dec 21
Stage 1	-3	-17	18	0	-3	0	-6
Stage 2	0	0	3	-2	-2	0	-1
Stage 3	0	0	0	0	0	0	0
Total	-3	-18	21	-1	-5	0	-6
	Jan 20						Dec 20
Stage 1	-7	-27	13	0	17	0	-3
Stage 2	0	0	0	0	0	0	0
Stage 3	-2	0	2	0	-2	2	0
Total	-9	-27	15	0	15	2	-3

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

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

The year-end total GCA of AC loans and advances to banks that were initially recognized during the year 2021 and not fully de-recognized by 31 December 2021 amounts to EUR 19,475.4 million (2020: EUR 20,962.3 million). The GCA of AC loans and advances to banks that were held as of 1 January 2021 and fully de-recognized during the year 2021 amounts to EUR 20,901.7 million (2020: 21,347.1 million).

Loans and advances to customers

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 21											
General governments	6,356	730	2	3	7,091	-4	-20	-2	0	-27	7,065
Other financial corporations	3,671	482	45	11	4,209	-10	-14	-16	0	-40	4,169
Non-financial corporations	57,224	17,486	2,039	201	76,950	-211	-666	-1,069	-61	-2,007	74,944
Households	75,926	10,700	1,851	112	88,589	-158	-504	-979	-26	-1,667	86,922
Total	143,177	29,398	3,937	327	176,839	-383	-1,203	-2,066	-88	-3,740	173,099
Dec 20											
General governments	6,455	330	3	3	6,791	-4	-4	-2	-1	-11	6,779
Other financial corporations	2,860	836	19	11	3,727	-8	-38	-6	0	-51	3,676
Non-financial corporations	50,673	18,379	2,075	227	71,354	-186	-657	-1,172	-92	-2,107	69,247
Households	69,241	10,554	1,935	125	81,855	-136	-472	-1,021	-33	-1,662	80,193
Total	129,229	30,100	4,031	367	163,727	-335	-1,171	-2,201	-125	-3,831	159,895

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 21								Dec 21
Stage 1	-335	-305	78	462	-276	0	0	-9	-383
General governments	-4	-2	1	1	0	0	0	0	-4
Other financial corporations	-8	-13	4	21	-14	0	0	0	-10
Non-financial corporations	-186	-190	51	175	-58	0	0	-3	-211
Households	-136	-100	23	265	-204	0	0	-6	-158
Stage 2	-1,171	-140	171	-710	651	0	1	-4	-1,203
General governments	-4	-2	1	-7	0	0	0	-6	-20
Other financial corporations	-38	-1	3	-21	40	0	0	2	-14
Non-financial corporations	-657	-110	106	-275	278	0	0	-7	-666
Households	-472	-27	61	-406	333	0	1	7	-504
Stage 3	-2,201	-46	250	-80	-290	5	292	3	-2,066
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-6	0	1	-1	-20	0	10	0	-16
Non-financial corporations	-1,172	-26	123	-35	-108	6	130	11	-1,069
Households	-1,021	-20	126	-44	-162	-1	152	-9	-979
POCI	-125	0	15	0	18	0	4	1	-88
General governments	-1	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-92	0	11	0	17	0	2	1	-61
Households	-33	0	4	0	1	0	1	0	-26
Total	-3,831	-490	514	-328	103	5	297	-10	-3,740
	Jan 20								Dec 20
Stage 1	-320	-233	64	376	-227	0	0	4	-335
General governments	-17	-5	2	1	15	0	0	0	-4
Other financial corporations	-5	-10	5	8	-9	0	0	3	-8
Non-financial corporations	-176	-149	41	157	-60	0	0	0	-186
Households	-122	-68	16	210	-173	0	0	2	-136
Stage 2	-506	-133	125	-1,025	361	0	1	6	-1,171
General governments	-3	0	0	-3	2	0	0	0	-4
Other financial corporations	-9	-2	1	-14	-13	0	0	0	-38
Non-financial corporations	-243	-85	83	-533	116	1	0	4	-657
Households	-251	-46	41	-475	256	-1	1	2	-472
Stage 3	-2,003	-92	245	-129	-507	2	270	12	-2,201
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-8	-2	2	0	-2	0	4	0	-6
Non-financial corporations	-965	-51	106	-55	-357	2	143	3	-1,172
Households	-1,029	-40	137	-74	-149	1	123	9	-1,021
POCI	-139	0	15	0	-9	0	6	2	-125
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	9	0	-9	0	3	1	-92
Households	-43	0	6	0	0	0	3	2	-33
Total	-2,969	-458	449	-778	-382	3	278	25	-3,831

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

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related AC loans and advances to customers from Stage 1 at 1 January 2021 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2021 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable (incremental year-on-year releases) and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'. This column also captures the passage-of-time adverse effect ('unwinding correction') over the lifetime expected cash shortfalls of AC loans and advances to customers that were assigned to Stage 3 for any period throughout the year, as well as of any POCI loans and advances to customers. This adverse effect amounted to EUR 68.8 million (2020: EUR 59.9 million) cumulatively for the year 2021, which also reflects the unrecognized interest income out of the related AC loans and advances to customers throughout the year.

The column 'Insignificant modifications (net)' reflects the effect on CLA arising from contractual modifications of loans and advances to customers at AC which do not trigger their full derecognition. The use of CLA triggered by full or partial write-offs of AC loans and advances to customers is reported in column 'Write-offs'.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different impairment stages. The year-end GCA of AC loans and advances to customers that were assigned at 31 December 2021 to a different stage compared to 1 January 2021 (or to the initial recognition date, if originated during the year) are summarized below:

in EUR million	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
Dec 21								
General governments	461	39	0	0	0	0	0	0
Other financial corporations	321	375	32	0	2	0	0	0
Non-financial corporations	6,757	4,837	400	45	187	5	6	1
Households	4,598	2,716	363	177	216	55	2	7
Total	12,137	7,966	794	223	405	60	8	9
Dec 20								
General governments	201	89	0	0	0	0	0	0
Other financial corporations	579	65	4	2	8	0	0	0
Non-financial corporations	14,523	1,145	380	49	573	7	2	10
Households	6,549	1,546	287	142	372	41	1	10
Total	21,853	2,845	671	193	954	48	3	20

Detailed information on stage transfers due to Covid-19 measures are described in Note 34 Credit risk.

The year-end total GCA of the AC loans and advances to customers that were initially recognized during the reporting period and not fully de-recognized by 31 December 2021 amounts to EUR 45,011.4 million (2020: EUR 39,706.5 million). The GCA of the AC loans and advances to customers that were held at 1 January 2021 and fully de-recognized during the reporting period amounts to EUR 17,982.5 million (2020: EUR 19,576.4 million).

The undiscounted amount of the lifetime expected credit losses considered in the initial measurement of the AC loans and advances to customers initially recognized and identified as POCI during the year 2021 amounted to EUR 54.4 million (2020: EUR 43.5 million).

17. Debt instruments subject to contractual modifications

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

in EUR million	Dec 20		Dec 21	
	Amortised cost before the modification	Net modification gains/losses	Amortised cost before the modification	Net modification gains/losses
Loans and advances				
General governments	16	0	15	0
Other financial corporations	131	1	201	0
Non-financial corporations	4,398	2	3,381	-1
Households	2,929	-13	1,754	-11
Total	7,474	-9	5,350	-12

As at 31 December 2021, the total GCA of Erste Group's debt instruments measured at AC, which were impacted by non-significant contractual modifications while they were assigned to Stage 2 or 3 and re-assigned to Stage 1 during the year 2021 amounted to EUR 1,366.2 million (2020: EUR 671.0 million).

18. Trade and other receivables

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 21											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	75	33	0	0	107	0	0	0	0	-1	107
Credit institutions	21	2	2	0	25	0	-1	-1	0	-2	23
Other financial corporations	28	3	0	0	31	0	0	0	0	0	31
Non-financial corporations	937	950	61	0	1,949	-9	-3	-50	0	-62	1,887
Households	90	19	18	0	126	-2	-5	-15	0	-22	104
Total	1,151	1,007	81	0	2,239	-12	-9	-66	0	-87	2,152
Dec 20											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	35	20	0	0	55	0	0	0	0	0	55
Credit institutions	27	2	0	0	29	0	0	0	0	-1	29
Other financial corporations	25	2	0	0	28	0	0	0	0	0	27
Non-financial corporations	484	639	39	0	1,162	-4	-5	-29	0	-38	1,124
Households	88	21	21	0	130	-2	-5	-18	0	-24	106
Total	660	684	61	0	1,405	-6	-10	-47	0	-64	1,341

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 21								Dec 21
Stage 1	-6	-12	6	2	2	0	0	-2	-12
Stage 2	-10	0	3	-1	-1	0	0	1	-9
Stage 3	-47	0	7	-1	-9	0	7	-23	-66
POCI	0	0	0	0	0	0	0	0	0
Total	-64	-13	16	0	-8	0	8	-24	-87
	Jan 20								Dec 20
Stage 1	-6	-4	2	1	1	0	0	0	-6
Stage 2	-10	0	2	-4	1	0	0	0	-10
Stage 3	-55	0	5	-1	-6	0	6	4	-47
POCI	-1	0	1	0	0	0	0	0	0
Total	-72	-5	9	-3	-4	0	6	4	-64

19. Financial liabilities at amortised costs

The line item 'Financial liabilities at amortised cost' is further broken down into 'Deposits from banks', 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'.

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

Financial liabilities stemming from the TLTRO programme of the ECB are presented under 'Deposits from banks'. Erste Group assessed an appropriate accounting treatment of the TLTRO. The conclusion was that such instruments do not qualify as below-market interest rate loans and therefore are not related to IAS 20 government grants accounting. The reason was that the TLTRO is considered as a separate market organised by the ECB as part of its monetary policy. As a result, the IFRS 9 amortised cost accounting treatment applies.

The carrying amount of the TLTRO III liabilities was EUR 20,920 million at the end of 2021 (2020: EUR 14,088 million). The negative interest expense recognised for the TLTRO III in 2021, including the catch-up adjustment discussed below, was EUR 208.1 million (2020: EUR 52.3 million).

In general, the TLTRO interest rate is reduced if banks reach certain lending thresholds. At the TLTRO inception, the original effective interest rate is determined by considering the contractual terms and assessing whether the eligibility conditions for the reduced interest will be fulfilled. The scenario which is considered more likely is used for the original effective interest rate calculation.

Erste Group assesses on an ongoing basis how it meets the eligibility criteria for the lower interest rate. Any subsequent changes in estimates of payments due to the revised assessment of the eligibility conditions are treated as catch-up adjustments. The amount of the catch-up

adjustment is determined by discounting the revised estimated payments at the original effective interest rate and comparing it to the gross carrying amount before the adjustment. The catch-up adjustments are presented in the net interest income.

In April 2020, in order to support the provision of credit in the economy hit by the Covid-19 pandemic, the ECB modified the conditions of the TLTRO III by additional reductions of interest rates. The interest rate reduction by 50bp during the period between June 2020 and June 2021 was conditional upon reaching the lending threshold of 0% between 1 March 2020 and 31 March 2021. Erste Group considered that the eligibility criteria were fulfilled. This resulted in a recognition of a positive catch-up adjustment in the amount of EUR 8.0 million in 2020. In December 2020 the ECB announced to extend the pandemic-related low interest for the period between June 2021 and June 2022. At 2020 year end Erste Group assessed that the lending threshold conditions for this interest rate reduction will not be met but revised this assessment in June 2021. As a result, a positive catch-up adjustment in the amount of EUR 93.0 million was recognised in 2021.

Deposits from banks

in EUR million	Dec 20	Dec 21
Overnight deposits	2,115	1,765
Term deposits	21,728	29,163
Repurchase agreements	927	958
Deposits from banks	24,771	31,886

Deposits from customers

in EUR million	Dec 20	Dec 21
Overnight deposits	144,864	167,738
Savings deposits	37,265	43,669
Other financial corporations	185	173
Non-financial corporations	2,457	1,985
Households	34,623	41,511
Non-savings deposits	107,599	124,069
General governments	5,806	6,963
Other financial corporations	6,936	7,530
Non-financial corporations	33,312	37,916
Households	61,544	71,660
Term deposits	44,684	41,662
Deposits with agreed maturity	38,142	34,986
Savings deposits	25,996	21,974
Other financial corporations	1,050	742
Non-financial corporations	1,331	1,409
Households	23,615	19,824
Non-savings deposits	12,146	13,012
General governments	2,832	2,970
Other financial corporations	1,890	1,843
Non-financial corporations	2,285	3,265
Households	5,140	4,934
Deposits redeemable at notice	6,543	6,676
General governments	1	9
Other financial corporations	110	120
Non-financial corporations	256	294
Households	6,175	6,253
Repurchase agreements	1,269	628
General governments	2	1
Other financial corporations	1,260	627
Non-financial corporations	6	0
Deposits from customers	190,816	210,029
General governments	8,642	9,942
Other financial corporations	11,431	11,037
Non-financial corporations	39,648	44,868
Households	131,097	144,182

Debt securities issued

in EUR million	Dec 20	Dec 21
Subordinated debt securities issued	1,477	1,943
Senior non-preferred bonds	669	1,474
Other debt securities issued	16,874	18,935
Bonds	4,680	8,146
Certificates of deposit	520	1,264
Other certificates of deposits/name certificates	178	148
Mortgage covered bonds	10,977	9,377
Other	519	0
Debt securities issued	19,020	22,352

In 1998, Erste Group Bank AG launched a EUR 30 billion Debt Issuance Programme (DIP). Since then other issuance programmes had been set up to fulfill high standards of specific seniorities and investor classes. In 2021, 9 DIP new bonds (2020: 17) with a total volume of approximately EUR 110 million (2020: EUR 165 million) were issued under the DIP.

In 2021, 163 (2020: 120) new bonds with a total volume of EUR 495 million (2020: EUR 184 million) were issued out of the Structured Notes Programme. In November 2018 the Covered Bonds Programme was implemented, under which one (2020: 2) new bond with a total volume of EUR 2.0 billion (2020: EUR 2.3 billion) were issued. In June 2019, the Capital Guaranteed Structured Notes Programme was implemented, under which 34 (2020: 36) new bonds with a total volume of EUR 103 million (2020: EUR 129 million) were issued. In December 2019, the Multi Issuer EMTN Notes Programme was implemented, under which 7 (2020: 5) new bonds with a total volume of EUR 2.3 billion (2020: EUR 2.7 billion) were issued.

Furthermore, senior unsecured registered notes ('Namensschuldverschreibungen'), were issued with a volume of EUR 46 million (2020: EUR 69 million).

Starting with August 2008, the Euro Commercial Paper and Certificates of Deposit Programme has an overall volume of EUR 10.0 billion. In total, 310 issues (2020: 56) amounting to EUR 65.2 billion (2020: EUR 3.7 billion) were placed in 2021. Issues totaling approximately EUR 64.0 billion (2020: EUR 3.7 billion) were redeemed over the same period.

Erste Group Bank AG, through its branch in NY and through its fully consolidated subsidiary Erste Finance Delaware LLC, issues commercial papers and certificates of deposit into the US money market. The total balance as of 31 December 2021 of the Dollar Certificate of Deposit Program of the New York branch amounted to EUR 17.5 million (USD 20.0 million) and as of 31 December 2020 EUR 519 million (USD 635 million). The Dollar Commercial Paper Program of Erste Finance Delaware LLC has a maximum issuance volume of EUR 6.7 billion (USD 7.6 billion), with a total balance as of 31 December 2021 of EUR 1.4 billion (USD 1.6 billion) and EUR 521 million (USD 637 million) as of 31 December 2020.

Financial instruments at fair value

FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

There are various reasons for assigning the fair value through profit or loss (FVPL) measurement category to debt instrument financial assets.

FVPL measurement relates to that are part of residual business models, i.e. they are neither held to collect contractual cash flows nor held to either collect contractual cash flows or sell the assets. These financial assets are generally expected to be sold before their maturity or they are managed and their performance is evaluated on a fair value basis. In the business of Erste Group, such business models are typical of assets that are held for trading (i.e. financial assets held by the trading function of the bank), of assets whose value is expected to be primarily realised through sales, such as investments in securitisations or not yet finalized loan syndications when the loan is offered for sale on the market. Further subject to FVPL measurement are financial assets held by funds consolidated by Erste Group since they are managed and their performance is evaluated on a fair value basis. Another reason for the the FVPL measurement are financial assets whose contractual cash flows are not considered as SPPI. At Erste Group, this concerns certain debt securities and loans to customers.

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

On the balance sheet, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading', sub-item 'Other financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss', sub-items 'Debt securities' and 'Loans and advances to customers'. Non-trading financial assets at FVPL consist of two sub-categories disclosed in Note 22 Non-trading financial assets at fair value through profit or loss which are 'mandatorily at fair value through profit or loss' and 'designated at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because they are held as part of residual business models that are other than held for trading or their contractual cash flows are not SPPI.

Investments in equity instruments that are held for trading (i.e. financial assets held by the trading function of the bank) are measured at FVPL. They are included in the balance sheet under the line 'Financial assets held for trading', sub-item 'Other financial assets held for trading'. Investments in equity instruments that are not held for trading are also measured at FVPL (unless they are designated at FVOCI). They are presented in the balance sheet under 'Non-trading financial assets at fair value through profit or loss', sub-item 'Equity instruments', sub-category 'mandatorily at fair value through profit or loss' in Note 22 Non-trading financial assets at fair value through profit or loss.

From IFRS 9 perspective all derivatives which are not designated as hedging instruments are considered as held for trading. As a result, they are measured at FVPL. They are described in more detail in Note 20 Derivative financial instruments.

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

Financial liabilities at FVPL consist of financial liabilities held for trading and financial liabilities designated at FVPL.

On the balance sheet, financial liabilities at FVPL are presented as 'Financial liabilities held for trading', sub-items 'Derivatives' and 'Other financial liabilities held for trading' and as 'Financial liabilities at fair value through profit or loss' which are further broken down into 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'. Accounting policy related to financial liabilities at FVPL can be found in Note 20 Derivative financial instrument, Note 23 Other financial liabilities held for trading and Note 24 Financial liabilities at fair value through profit or loss.

20. Derivative financial instruments

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

For presentation purposes, derivatives are split into:

- _ Derivatives – held for trading; and
- _ Derivatives – hedge accounting.

Hedge accounting derivatives are discussed in Note 27 Hedge accounting.

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

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

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

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

Embedded derivatives

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

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

Embedded derivatives that are separated are accounted for as stand-alone derivatives and presented on the balance sheet under the line item ‘Derivatives’ in financial assets held for trading and financial liabilities held for trading. At Erste Group, these relate to bonds and deposits whose payments are linked to equity prices or FX rates.

In the business of Erste Group, majority of non-closely related embedded derivatives relates to bonds issued for which fair value option has been applied since 2018. As a result, these embedded derivatives are part of the measurement of the entire hybrid instrument at FVPL and thus are not separated.

Derivatives held for trading

in EUR million	Dec 20			Dec 21		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	206,411	3,524	3,606	197,734	3,477	3,623
Interest rate	139,393	2,742	2,829	136,122	2,801	2,876
Equity	435	4	3	491	7	6
Foreign exchange	65,541	740	748	60,305	638	717
Credit	820	15	25	598	14	24
Commodity	16	0	0	16	0	0
Other	205	23	0	201	17	0
Derivatives held in the banking book	23,301	1,330	409	21,210	919	310
Interest rate	16,836	1,233	246	15,442	776	231
Equity	1,274	41	64	1,236	74	34
Foreign exchange	4,742	52	98	4,168	66	44
Credit	305	4	1	223	3	1
Other	144	0	0	141	0	0
Total gross amounts	229,712	4,854	4,015	218,943	4,396	3,933
Offset		-1,900	-1,977		-2,132	-2,309
Total		2,954	2,037		2,263	1,624

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via Clearing Houses. These derivatives and related cash margin balances fulfil the requirements for balance sheet offsetting. For more details on balance sheet offsetting please refer to Note 28 Offsetting of financial instruments.

The disclosure of notional amounts of derivatives held in banking book: equity has been improved in 2021. The comparatives for notional amounts of the affected derivatives were amended accordingly from EUR 5,202 million to EUR 1,274 million, also the totals have been adjusted.

21. Other financial assets held for trading

in EUR million	Dec 20	Dec 21
Equity instruments	34	84
Debt securities	3,368	4,125
General governments	2,628	3,207
Credit institutions	606	699
Other financial corporations	57	127
Non-financial corporations	76	92
Other financial assets held for trading	3,402	4,210

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

in EUR million	Dec 20		Dec 21	
	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	347	0	332
Debt securities	603	1,446	476	1,499
General governments	63	214	36	161
Credit institutions	524	101	435	111
Other financial corporations	16	983	5	1,054
Non-financial corporations	0	148	0	173
Loans and advances to banks	0	0	0	10
Credit institutions	0	0	0	10
Loans and advances to customers	0	687	0	808
General governments	0	1	0	1
Other financial corporations	0	0	0	21
Non-financial corporations	0	107	0	48
Households	0	579	0	737
Financial assets designated and mandatorily at FVPL	603	2,480	476	2,648
Non-trading financial assets at fair value through profit or loss		3,083		3,124

Erste Group has designated debt securities at FVPL. The maximum exposure to credit risk on these securities is its fair value. At the reporting date the change in fair value that is attributable to changes in credit risk amounts to EUR 19.0 million (2020: EUR 2.9 million) cumulatively and EUR 11.9 million (2020: EUR 7.7 million) for the reporting period.

23. Other financial liabilities held for trading

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

in EUR million	Dec 20	Dec 21
Short positions	521	785
Equity instruments	135	84
Debt securities	386	702
Debt securities issued	66	64
Other financial liabilities held for trading	588	850

24. Financial liabilities at fair value through profit or loss

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

- _ such classification eliminates or significantly reduces an accounting mismatch between fixed interest rate financial liabilities otherwise measured at amortised cost and related derivatives measured at FVPL. Erste Group assesses quantitatively that the designation actually eliminates or significantly reduces the accounting mismatch in respect of fair value changes attributable to interest rate risk; or
- _ the entire hybrid contract contains a non-closely related embedded derivative.

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

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

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

in EUR million	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
	Dec 20	Dec 21	Dec 20	Dec 21	Dec 20	Dec 21
Deposits	254	495	243	464	11	31
Debt securities issued	11,657	9,778	11,230	9,509	427	270
Other financial liabilities	180	191	180	191	0	0
Financial liabilities at FVPL	12,091	10,464	11,653	10,163	438	301

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

in EUR million	For reporting period		Cumulative amount	
	1-12 20	1-12 21	Dec 20	Dec 21
Deposits	-2	0	0	0
Debt securities issued	-126	-82	358	269
Other financial liabilities	0	0	0	0
Financial liabilities at FVPL	-127	-82	358	269

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

Debt securities issued

in EUR million	Dec 20	Dec 21
Subordinated debt securities issued	3,944	3,419
Other debt securities issued	7,713	6,360
Bonds	4,784	4,098
Other certificates of deposits/name certificates	854	824
Mortgage covered bonds	1,858	1,272
Public sector covered bonds	216	165
Debt securities issued	11,657	9,778

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

25. Financial assets at fair value through other comprehensive income

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

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

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

Erste Group classifies investments in debt securities as measured at FVOCI, i.e. no loan business is included in this measurement category. Similarly to investments in debt securities measured at amortised cost, they relate to various business objectives such as fulfilling internal/external liquidity risk requirements and efficient placement of the structural liquidity surplus, strategic positions decided by the board of directors, initiation and fostering of client relationships, substitution of loan business or other yield-enhancement activities. The common attribute for investments in debt instruments at FVOCI is that an active yield optimisation via sales is integral to achieving the objectives. The sales are carried out in order to optimise the liquidity position or to realise fair value gains or losses. As a result, the business objectives are achieved through both collecting contractual cash flows and sales of the securities.

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

Equity instruments

The carrying amount of Erste Group's equity instruments at FVOCI as at 31 December 2021 amounts to EUR 132.4 million (2020: EUR 129.8 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 88.5 million (2020: EUR 85.9 million). During the year 2021, the sales of such instruments amounted to EUR 17.7 million (2020: EUR 85.7 million) and were triggered by strategic business decisions. The cumulative gain (net of tax) that was transferred from accumulated other comprehensive income into retained earnings upon such sales amounted to EUR 14.8 million (2020: EUR 68.2 million).

Debt instruments

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount				Credit loss allowances				Amortised cost	Accumulated OCI changes	Fair value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Dec 21											
Central banks	6	0	0	6	0	0	0	0	6	0	6
General governments	6,493	92	0	6,585	-3	-4	0	-7	6,578	60	6,638
Credit institutions	867	0	0	867	-2	0	0	-2	865	25	890
Other financial corporations	164	92	0	256	0	-2	0	-3	253	7	260
Non-financial corporations	536	405	0	941	-1	-10	0	-11	930	24	955
Total	8,066	589	0	8,655	-7	-16	0	-23	8,632	117	8,749
Dec 20											
Central banks	5	0	0	5	0	0	0	0	5	0	5
General governments	5,757	241	0	5,998	-3	-5	0	-9	5,989	212	6,202
Credit institutions	944	0	0	944	-3	0	0	-3	941	43	985
Other financial corporations	122	83	0	205	0	-4	0	-4	201	10	211
Non-financial corporations	655	301	0	957	-3	-7	0	-9	947	39	987
Total	7,483	626	0	8,109	-9	-16	0	-25	8,084	305	8,389

As defined in IFRS 9, the gross carrying amount of debt instruments at FVOCI equals the amortised cost before deducting any credit loss allowances. The accumulated OCI changes combine the effects of credit loss allowances booked in other comprehensive income and fair value accounting through other comprehensive income, as required by IFRS9 in respect of debt instruments measured at FVOCI

There are no purchased or originated credit-impaired (POCI) debt securities at FVOCI as of 31 December 2021 (31 December 2020).

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 21						Dec 21
Stage 1	-9	-2	2	5	-2	0	-7
Stage 2	-16	-1	1	-5	6	0	-16
Stage 3	0	0	0	0	0	0	0
Total	-25	-3	2	-1	3	0	-23
	Jan 20						Dec 20
Stage 1	-6	-2	1	1	-4	1	-9
Stage 2	-8	0	3	-10	-1	0	-16
Stage 3	0	0	0	0	0	0	0
Total	-14	-2	4	-8	-4	1	-25

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

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related FVOCI debt securities from Stage 1 (at 1 January 2021 or initial recognition date) to Stages 2 or 3 at 31 December 2021 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'. Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'.

One significant driver of the above presented CLA movements for the year has been the transfer of the related instruments across different stages. The year-end GCAs of FVOCI debt securities that were assigned at 31 December 2021 to a different stage compared to 1 January 2021 (or to the initial recognition date, if purchased during the year) are summarized in the table below:

Transfers between Stage 1 and Stage 2

in EUR million	Dec 20	Dec 21
To Stage 2 from Stage 1	429	149
To Stage 1 from Stage 2	11	157

Financial instruments – other disclosure matters

26. Fair value of financial instruments

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 listed derivatives as well as liquid OTC bonds.

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available judgement is required to establish fair values. Using of unobservable inputs is particularly relevant for models used for valuations of loans and unquoted equity investments. Disclosures on valuation models, the fair value hierarchy and fair values of financial instruments can be found subsequently.

For all financial instruments the fair value is measured on recurring basis.

Financial instruments carried at fair value

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. Financial instruments which have been converted to the new alternative reference rates (see Note 57 Interest Rate Benchmark Reform), the new interest rates are considered for the calculation of fair values.

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. 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 for senior unsecured issues. For a limited number of profit-participating loans, the expected cash flows are discounted using a risk-adjusted discount rate. This risk-adjusted rate is determined applying the Capital Assets Pricing Model (CAPM) on the basis of comparable listed entities.

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 levered beta and the country risk premium. The levered 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 comparable company multiple methods. These are valuation techniques that use 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 based on quoted prices in active markets, if 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. Significant input factors for the spread adjustment of Erste Group's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investment banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. In case of issued securities with structured features, optionality is taken into account as well when calculating the fair value.

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 collateralised in EURO a discounting interest rate reflecting the interest rate of the corresponding cash collateral is used. As a result of the IBOR reform it has been decided that the so far used EONIA (Euro Over Night Index Average) will be replaced by €STR (Euro Short-Term Rate). In Erste Group the fair value for all derivatives where the respective collaterals €STER is used as interest rate, €STR is used as discount rate.

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 14.5 million (2020: EUR 17.6 million) and the total DVA-adjustment amounted to EUR 4.4 million (2020: EUR 3.1 million).

Based on an analysis carried out by Erste Group it was decided that for the valuation of OTC derivatives no Funding Value Adjustment (FVA) would be considered.

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. The evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

Level 1 measurements include exchange traded derivatives (options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are available the fair value is measured by using

valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

Level 2 measurements 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. 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.

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

- _ 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, participations 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.
- _ Fund units issued by investment funds fully consolidated by Erste Group as well as own issues, if price updates are not provided on a regular basis
- _ Collateralized mortgage obligation (CMO)

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

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

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

in EUR million	Dec 20				Dec 21			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets HFT	2.390	3.881	85	6.356	1.984	4.443	46	6.473
Derivatives	4	2.875	75	2.954	5	2.231	27	2.263
Other financial assets held for trading	2.385	1.007	10	3.402	1.979	2.212	18	4.210
Non-trading financial assets at FVPL	1.805	232	1.046	3.083	1.670	281	1.173	3.124
Equity instruments	59	7	282	347	40	9	283	332
Debt securities	1.747	225	77	2.048	1.630	272	72	1.975
Loans and advances	0	0	687	687	0	0	818	818
Financial assets at FVOCI	7.347	795	376	8.519	7.604	807	470	8.881
Equity instruments	1	0	129	130	1	0	131	132
Debt securities	7.346	795	248	8.389	7.603	807	339	8.749
Hedge accounting derivatives	0	205	0	205	0	79	0	79
Total assets	11.542	5.113	1.508	18.163	11.258	5.610	1.689	18.557
Liabilities								
Financial liabilities HFT	500	2.123	2	2.625	774	1.690	9	2.474
Derivatives	3	2.032	2	2.037	5	1.609	9	1.624
Other financial liabilities held for trading	496	91	0	588	769	81	0	850
Financial liabilities at FVPL	347	11.408	336	12.091	325	9.894	245	10.464
Deposits from customers	0	254	0	254	0	495	0	495
Debt securities issued	347	11.154	155	11.657	325	9.399	54	9.778
Other financial liabilities	0	0	180	180	0	0	191	191
Hedge accounting derivatives	0	189	0	189	0	307	2	309
Total liabilities	846	13.720	338	14.905	1.100	11.891	256	13.247

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

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. Further details regarding input parameters used and the results of the sensitivity analysis are disclosed in the sub-chapter Unobservable inputs and sensitivity analysis for Level 3 measurements below.

Changes in volumes of Level 1 and Level 2

Relassification between Level 1 and Level 2 based on balance sheet positions and instruments

in EUR million	Dec 20		Dec 21	
	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1
Financial assets HfT	15	23	131	15
Bonds	15	23	131	15
Funds	0	0	0	0
Non-trading financial assets at FVPL	16	3	22	2
Bonds	14	3	21	2
Funds	2	0	1	0
Financial assets at FVOCI	72	82	105	91
Bonds	72	82	105	91
Total	103	108	258	108

Transfers into and out of Level 1 and Level 2 are caused by changes in market activities and consequently due to the quality and observability of valuation parameters.

Movements in Level 3

Development of fair value of financial instruments in Level 3

in EUR million		Gains/ losses profit or loss	Gains/ losses OCI	Purch- ases	Sales	Settle- ments	Addition to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency trans- lation	
	Jan 21											Dec 21
Assets												
Financial assets HFT	85	-14	0	17	-1	0	0	0	1	-42	0	46
Derivatives	75	-14	0	0	0	0	0	0	0	-34	0	27
Other financial assets held for trading	10	0	0	17	-1	0	0	0	1	-8	0	18
Non-trading financial assets at FVPL	1.046	-33	0	408	-181	-52	0	0	6	-13	-8	1.173
Equity instruments	282	-8	0	25	-13	0	0	0	2	-6	2	283
Debt securities	77	9	0	3	-15	-3	0	0	4	-5	2	72
Loans and advances	687	-33	0	380	-153	-49	0	0	0	-2	-12	818
Financial assets at FVOCI	376	-2	20	50	-20	-24	0	0	136	-70	5	470
Equity instruments	129	0	20	0	-18	0	0	0	0	0	0	131
Debt securities	248	-2	0	50	-3	-24	0	0	135	-70	5	339
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	1.508	-49	20	475	-202	-77	0	0	143	-126	-3	1.689
Liabilities												
Financial liabilities HFT	2	7	0	0	0	0	0	0	0	0	0	9
Derivatives	2	7	0	0	0	0	0	0	0	0	0	9
Financial liabilities at FVPL	336	3	1	67	-55	-6	0	0	11	-113	0	245
Debt securities issued	155	0	1	0	0	-1	0	0	11	-113	0	54
Other financial liabilities	180	3	0	67	-55	-5	0	0	0	0	0	191
Hedge accounting derivatives	0	2	0	0	0	0	0	0	0	0	0	2
Total liabilities	338	12	1	67	-55	-6	0	0	11	-113	0	256
Jan 20												
Assets												
Financial assets HFT	93	10	0	1	-5	0	0	0	6	-20	-1	85
Derivatives	79	11	0	0	-1	0	0	0	6	-20	-1	75
Other financial assets held for trading	14	-1	0	1	-4	0	0	0	0	0	0	10
Non-trading financial assets at FVPL	922	5	0	371	-122	-70	0	0	2	-15	-47	1.046
Equity instruments	330	2	0	19	-62	0	0	0	1	-5	-1	282
Debt securities	109	11	0	6	-14	-24	0	0	1	-9	-2	77
Loans and advances	483	-8	0	346	-46	-46	0	0	0	0	-43	687
Financial assets at FVOCI	457	3	7	91	-105	-62	0	0	11	-22	-3	376
Equity instruments	209	0	7	0	-86	-1	0	0	0	0	0	129
Debt securities	247	3	0	91	-20	-61	0	0	11	-21	-2	248
Hedge accounting derivatives	1	-1	0	0	0	0	0	0	0	0	0	0
Total assets	1.473	18	7	464	-233	-132	0	0	19	-56	-50	1.508
Liabilities												
Financial liabilities HFT	5	2	0	0	-4	0	0	0	0	-1	0	2
Derivatives	5	2	0	0	-4	0	0	0	0	-1	0	2
Financial liabilities at FVPL	308	8	-2	73	-78	-41	0	0	140	-72	0	336
Debt securities issued	89	3	-2	0	0	-2	0	0	140	-72	0	155
Other financial liabilities	219	5	0	72	-78	-38	0	0	0	0	0	180
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	313	10	-2	73	-82	-41	0	0	140	-72	0	338

Transfers into and out of Level 3 mainly result from changes in valuation models with observable or non-observable parameters

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

in EUR million	1-12 20	1-12 21
Assets		
Financial assets HFT	15,0	-13,7
Derivatives	16,0	-13,3
Other financial assets held for trading	-1,0	-0,4
Non-trading financial assets at FVPL	0,3	-31,6
Equity instruments	-1,2	-9,3
Debt securities	9,1	11,2
Loans and advances	-7,6	-33,5
Financial assets at FVOCI	0,4	-2,8
Debt securities	0,4	-2,8
Hedge accounting derivatives	-0,7	0,0
Total	15,0	-48,0
Liabilities		
Financial liabilities HFT	2,4	-6,8
Derivatives	2,4	-6,8
Other financial liabilities held for trading	0,0	0,0
Financial liabilities at FVPL	-8,0	-2,2
Deposits	0,0	0,0
Debt securities issued	-1,0	1,4
Other financial liabilities	-7,0	-3,5
Hedge accounting derivatives	0,0	-2,3
Total	-5,6	-11,2

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 were chosen to reflect the market situation at the reporting date.

Range of unobservable valuation parameters used in Level 3 measurement

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Dec 21					
Positive fair value of derivatives	Forwards, swaps, options	59.6	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.17%-100% (5.34%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	16.6	Discounted cash flow	Credit Spread	0.45%-2.93% (0.51%)
	Loans	817.8	Discounted cash flow	PD LGD	0.09%-7.27% (3.10%) 0%-46.22% (13.62%)
Financial assets at FVOCI	Fixed and variable coupon bonds	443.7	Discounted cash flow	Credit Spread	0.01%-6.52% (0.90%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	249.3	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.04-1.10 Recreation 0.96 Real Estate (General/Diversified) 0.78 Real Estate (Operations & Services) 0.63 Financial Svcs. (Non-bank & Insurance) 0.91-1.06 Banks (Regional) 0.57 Health Resort & Gesundheitszentrum GmbH 0.66
				Country risk premium	Croatia 2.21%, Austria 0.33%-0.35% Czech Republic 0.53% Romania 1.95%, Russia 1.82%, Slovakia 0.75%, Hungary 1.95%, North Macedonia 2.97% Resulting cost of equity based on above inputs: 5.48%-13.03%
		147.9	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		33.0	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dec 20					
Positive fair value of derivatives	Forwards, swaps, options	75.5	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.60%-100% (4.12%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	6.1	Discounted cash flow	Credit Spread	0.81%-6.10% (4.51%)
	Loans	687.0	Discounted cash flow	PD LGD	1,16%-6,10% (2,38%) 0%-68,22% (27,94%)
Financial assets at FVOCI	Fixed and variable coupon bonds	132.3	Discounted cash flow	Credit Spread	0.86%-6.52% (2.18%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	236.0	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.90-0.95 Recreation 0.96 Real Estate (General/Diversified) 0.78 Real Estate (Operations & Services) 0.49 Financial Svcs. (Non-bank & Insurance) 0.91-1.10 Banks (Regional) 0.51 Health Resort & Gesundheitszentrum GmbH 0.74
				Country risk premium	Croatia 4.45%, Austria 0.36%-0.50% Czech Republic 0.90% Romania 3.26%, Russia 2.58%, Slovakia 1.26%, Hungary 3.26% Resulting cost of equity based on above inputs: 4.19%-12.83%
		183.6	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		33.0	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

In addition to the information above, equity instruments with a fair value in amount of EUR 23.3 million (2020: EUR 21.6 million) are assessed on the basis of expert opinions.

Furthermore, for equity instruments other than participations classified as Level 3, the amount of EUR 39.5 million (2020: EUR 49.9 million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Sensitivity analysis using reasonably possible alternatives per product type

in EUR million	Dec 20		Dec 21	
	Fair value changes		Fair value changes	
	Positive	Negative	Positive	Negative
Derivatives	2,4	-2,3	3,1	-5,3
Income statement	2,4	-2,3	3,1	-5,3
Debt securities	11,7	-15,6	21,6	-28,8
Income statement	2,1	-2,8	3,3	-4,4
Other comprehensive income	9,6	-12,8	18,3	-24,4
Equity instruments	113,0	-73,4	106,6	-70,4
Income statement	73,1	-49,9	58,0	-43,8
Other comprehensive income	39,9	-23,5	48,6	-26,6
Loans and advances	16,7	-35,4	17,9	-45,7
Income statement	16,7	-35,4	17,9	-45,7
Total	143,8	-126,7	149,2	-150,2
Income statement	94,3	-90,4	82,3	-99,2
Other comprehensive income	49,5	-36,3	66,9	-51,0

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

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

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

Financial instruments not carried at fair value with fair value disclosed in the notes

in EUR million	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Dec 21					
Assets					
Cash and cash balances	45.495	45.495	0	0	0
Financial assets at AC	229.641	231.575	30.887	3.922	196.766
Loans and advances to banks	20.991	21.193	0	0	21.193
Loans and advances to customers	173.099	175.356	0	0	175.356
Debt securities	35.551	35.026	30.887	3.922	217
Finance lease receivables	4.209	4.214	0	0	4.214
Assets held for sale	0	0	0	0	0
Trade and other receivables	2.152	2.158	0	0	2.158
Liabilities					
Financial liabilities at AC	265.415	265.141	10.447	11.262	243.432
Deposits from banks	31.886	31.807	0	0	31.807
Deposits from customers	210.029	209.704	0	0	209.704
Debt securities issued	22.352	22.481	10.447	11.262	772
Other financial liabilities	1.149	1.149	0	0	1.149
Financial guarantees and commitments					
Financial guarantees	n/a	4			4
Irrevocable commitments	n/a	998			998
Dec 20					
Assets					
Cash and cash balances	35.839	35.839	0	0	0
Financial assets at AC	210.940	218.023	27.326	3.768	186.929
Loans and advances to banks	21.466	21.502	0	0	21.502
Loans and advances to customers	159.895	165.257	0	0	165.257
Debt securities	29.579	31.264	27.326	3.768	170
Finance lease receivables	4.127	4.124	0	0	4.124
Assets held for sale	4	4	0	0	4
Trade and other receivables	1.341	1.338	0	0	1.338
Liabilities					
Financial liabilities at AC	235.125	235.688	10.255	8.707	216.725
Deposits from banks	24.771	24.763	0	0	24.763
Deposits from customers	190.816	191.098	0	0	191.098
Debt securities issued	19.020	19.309	10.255	8.707	346
Other financial liabilities	518	518	0	0	518
Financial guarantees and commitments					
Financial guarantees	n/a	5			5
Irrevocable commitments	n/a	895			895

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 determined based on quoted prices in active markets, if 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. Significant input factors for the spread adjustment of Erste Group's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. 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.

27. Hedge accounting

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

On the balance sheet, derivatives designated as hedging instruments are carried at fair value (dirty price). They are presented in the line item 'Hedge accounting derivatives' on the asset or liability side depending on whether their fair value is positive or negative.

i. Fair value hedges

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

Erste Group also applies portfolio fair value hedges of interest rate risk as regulated by IAS 39.AG114-AG132. For this purpose, Erste Group makes use of the relaxation provided by the EU-carve out for so called 'bottom layer' hedges. More details are discussed in part 'Hedges of interest rate risk' below. The change in the fair value of the hedged items attributable to the hedged interest risk in portfolio fair value hedges is presented on the balance sheet under the line item 'Fair value changes of hedged items in portfolio hedge of interest rate risk'.

If the hedging instrument expires, is sold, is terminated or is exercised, or when the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. In this case, the fair value adjustment of the hedged item is amortised until maturity of the financial instrument. In the statement of income the amortisation is presented under 'Net interest income' in the line item 'Interest income' if the hedged item was a financial asset or in the line item 'Interest expenses' if the hedged item was a financial liability. For portfolio fair value hedges of interest rate risk the fair value adjustment related to the terminated hedge is amortised to the statement of income on a straight-line basis in the line item 'Other similar income' under 'Net interest income'.

ii. Cash flow hedges

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

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

Hedges of interest rate risk

As an inherent part of its business Erste Group is exposed to interest rate risk arising from the interest characteristics and behavior of assets, liabilities and off balance sheet items. This relates to the existing balance sheet items as well as to expected development of the balance sheet and banking activities. Interest rate risk can generally be defined as a potential deterioration of a bank's financial condition in reaction to adverse movements in market interest rates.

Hedge accounting activities relate to interest risk bearing exposures in the banking book. The interest rate risk of the banking book is managed by Group Asset Liability Management (ALM). Interest rate risk management actions of ALM are approved as part of the ALM strategy by Group Asset Liability Committee (ALCO). For hedging relationships qualifying for hedge accounting hedge effectiveness is measured by risk management unit which is independent from ALM as the risk taker.

The objective of the interest rate risk management in the banking book is to optimise the risk and return of interest rate risk exposures. For this purpose and for compliance with external and internal regulations and limitations Erste Group manages the interest rate risk from the earnings and economic value perspectives. The focal point of the interest rate risk analysis from the earnings perspective is the variation in earnings, i.e. the net interest income. The changes in interest rates have an impact on the bank's earnings via its distinct impact on interest income and interest expenses accrued on assets and liabilities respectively. The economic value perspective views the interest rate risk as changes in the economic value of equity. It can be identified as the present value of cash-flows arising from asset, liability and off-balance-sheet items. Change in interest rates alters both the size of future cash-flows and the value of discount rates applied in the calculation.

Existing balance sheet items and contributions of planned or forecast transactions are analysed through the earnings and economic value based metrics. Erste Group keeps the risk within predefined limits. When actively managing interest rate risk ALM gives preference to entering into bonds and derivatives. In general, the policy of Erste Group is to swap all substantial fixed or structured issued bonds to floating items. In addition of managing the interest rate risk using derivative transactions and investments in bonds, also the intended non-hedging of benchmark issues with derivatives is used for managing the interest rate risk.

Interest rate swaps are the most common derivatives used to manage interest rate. If fixed rate repricing profiles of assets or liabilities do not fit to the interest rate risk management strategy they are swapped into variable rate items (usually 3-month money market rate such as Euribor). In other cases, variable rate repricing profiles of assets or liabilities may need to be swapped into fixed rate items.

Erste Group employs hedge accounting to address accounting mismatches resulting from different measurement requirements for derivatives which are measured at fair value through profit or loss and financial assets and liabilities in the banking book measured at amortised cost or at fair value through other comprehensive income. Some of the accounting mismatches are addressed by designating financial assets or financial liabilities as measured at FVPL (fair value option) without the need to use hedge accounting.

Fair value hedges address the risk management activities of swapping fixed rate assets or liabilities into variable rate. On the other hand, cash flow hedges are used when floating rates assets or liabilities are swapped into fixed ones (please refer also to the discussion of proxy hedges below).

For hedges of interest rate risk of portfolios of prepayable fixed rate loans Erste Group applies requirements for portfolio fair value hedges of interest rate risk as regulated by IAS 39.AG114-AG132. For this purpose, Erste Group makes use of the relaxation provided by the EU-carve out and hedges the interest rate risk in respect of so called 'bottom layer' amount. The bottom layer amount is expected not to be affected by prepayments of loans (including a margin of conservatism). Thus, it represents a stable fixed interest rate exposure which is hedged by using interest rate swaps. With this approach, any prepayments, other derecognitions and impairments are attributed to the unhedged buffer amount above the designated bottom layer. Thus, they do not affect the hedge effectiveness unless their amount hits the designated hedged bottom layer level.

Fair value hedges are designated in respect of the interest rate risk component of the fair value changes of the hedged fixed rate items. The hedged interest rate risk portion in fair value hedges relates to the observed interest rate (swap yield curve) component. I.e. the fair value volatility resulting from changes in the spread of the hedged fixed rate instrument over the swap yield curve is excluded from hedge accounting and is not accounted for.

Similarly, in cash flow hedges the hedged risk is designated in respect of the variable cash flows portion equal to the interest index of the swap (such as Euribor, Libor). The credit spreads over the swap index are excluded from hedge accounting.

The hedging interest derivatives are economically related to the hedged interest rate risk component of the hedged item. The non-interest components (such as credit spreads) of the hedged items are outside the hedging relationship. As a result, comparable valuation inputs are applied on both sides of the hedging relationship. Thus offsetting effects are recognised to the extent the economic relationship exists without giving rise to artificial volatility in profit or loss. The hedged interest risk component is the most significant factor affecting fair value changes of the hedged item.

The designated hedging relationships normally correspond to the economic hedges set up by ALM when managing the interest rate risk. However, in some cases, the hedging derivatives may not be directly related to specific assets or liabilities but they manage the overall interest risk position. Also, the derivatives may relate to instruments which do not qualify as hedged items under the IFRS hedge accounting requirements. In order to account for risk mitigating effects of such derivatives Erste Group searches for suitable hedged items providing the best fit to the terms of the derivative and designates an effective hedging relationship (so called proxy hedges). Typically cash flow hedges of variable rate assets are designated on such a basis whereby the actual economically hedged risk may result from modelled fixed rate profile of demand deposit liabilities.

Notional amounts of hedged items

in EUR million	Type of hedged items	Notional amount	
		Dec 20	Dec 21
Fair value hedges			
Assets	Portfolios of client loans	234	240
Assets	Single loans	356	303
Assets	Bonds at FVOCI	432	983
Assets	Bonds at AC	925	1,064
Liabilities	Issued bonds	11,679	12,931
Liabilities	Other liabilities/repos	0	50
Cash flow hedges			
Assets	Interbank loans/repos	1,527	1,337
Assets	Client loans	1,125	1,721
Assets	Corporate/government bonds	53	0

Portfolio hedges of defined bottom layer amounts (bottom layer hedges) are disclosed in the table with the nominal hedged bottom layer amounts. Client loans hedged in portfolio hedges are disclosed in balance sheet line item 'Financial assets measured at amortised cost', with a carrying amount of EUR 527.3 million (2020: EUR 388.0 million).

The hedge ratio is chosen in compliance with the rules defined in IAS 39. The volume of the hedging instrument which is designated for the hedge relation can never be greater than the volume of the hedged item. If the notional of a hedging derivative is greater than the notional of the hedged item the respective proportion of the derivative is designated as hedging instrument. Further, the tenor of the hedging instrument is never longer than the tenor of the hedged item.

Sources of hedge ineffectiveness can result from:

- _ designation of hedging instruments and hedged items during their life rather than from their inception
- _ different discounting curves applied for hedged item and hedging instrument
- _ different interest tenors of hedging swaps and hedged variable rate items in cash flow hedges
- _ volatility of present value of floating leg of hedging swaps in fair value hedges
- _ different trade dates for the hedging instrument and the hedged item
- _ real prepayments of a loan portfolio deviating from expected prepayments
- _ credit risk adjustments (CVA, DVA) on the hedging derivatives

Hedges of foreign exchange risk

The objective of foreign exchange risk management in the banking book is to avoid unfavorable market movements of foreign exchange rates which could impact profit or loss of Erste Group. Only a minor part of foreign exchange risk management activities requires using of hedge accounting. Currently fixed rate corporate or government bonds with notional amount of EUR 946 million (2020: EUR 596 million) are hedged in cash flow hedges by using cross currency swaps as hedging instruments.

Quantitative disclosures

In the tables below, detailed information related to hedging instruments and hedged items in fair value and cash flow hedges as of 31 December 2021 are reported. The indicated values for fair value hedges include single hedges as well as portfolio hedges, which due to immateriality are not shown separately.

Hedging instruments

in EUR million	Carrying amount		Change in FV for the period used for calculating hedge ineffectiveness	Notional	Timing of the nominal amounts of the instruments			
	Assets	Liabilities			≤ 3 m	> 3 m and ≤ 1 y	> 1 y and ≤ 5 y	> 5 y
Dec 21								
Fair value hedges	319	344	-232	15,988	1,012	17	6,647	8,312
Interest rate risk	319	344	-232	15,988	1,012	17	6,647	8,312
Cash flow hedges	6	183	-305	4,003	182	77	3,280	464
Interest rate risk	0	149	-234	3,057	182	60	2,685	129
Foreign exchange risk	6	35	-71	946	0	16	594	335
Total gross amounts	325	527	-537	19,991	1,195	94	9,927	8,776
Offset	-246	-218						
Total	79	309	-537	19,991	1,195	94	9,927	8,776
Dec 20								
Fair value hedges	537	291	77	13,540	1,175	137	5,612	6,617
Interest rate risk	537	291	77	13,540	1,175	137	5,612	6,617
Cash flow hedges	86	15	116	3,300	19	116	2,651	513
Interest rate risk	83	8	124	2,704	19	116	2,397	171
Foreign exchange risk	2	7	-8	596	0	0	254	342
Total gross amounts	623	306	193	16,840	1,194	253	8,263	7,130
Offset	-418	-117						
Total	205	189	193	16,840	1,194	253	8,263	7,130

The hedging instruments are presented in the line 'Hedge accounting derivatives' in the balance sheet.

Hedged items in fair value hedges

in EUR million	Carrying amount	Hedge adjustments		
		included in the carrying amount	Thereof: for the period used for recognition of hedge ineffectiveness	Remaining adjustments for terminated hedges
Dec 21				
Financial assets at FVOCI				
Interest rate risk	1,040	53	-37	12
Financial assets at AC				
Interest rate risk	2,036	19	-100	19
Financial liabilities at AC				
Interest rate risk	13,636	90	365	96
Dec 20				
Financial assets at FVOCI				
Interest rate risk	487	90	-3	17
Financial assets at AC				
Interest rate risk	1,992	122	4	23
Financial liabilities at AC				
Interest rate risk	12,189	445	-80	121

The hedged items are disclosed in the following line items in the balance sheet:

- _ Financial assets at fair value through other comprehensive income / debt securities
- _ Financial assets at amortised cost / loans and advances to customers
- _ Financial assets at amortised cost / debt securities
- _ Financial liabilities at amortised cost / debt securities issued

Hedged items in cash flow hedges

in EUR million	Change in FV for the period used for calculating hedge ineffectiveness	Cash flow hedge reserve for continuing hedges	Cash flow hedge reserve for terminated hedges
Dec 21			
Interest rate risk	217	-156	-12
Foreign exchange risk	66	-85	0
Total	282	-240	-12
Dec 20			
Interest rate risk	-111	55	4
Foreign exchange risk	7	-13	0
Total	-104	42	4

Effects of hedge accounting in profit or loss and other comprehensive income

in EUR million	Hedge ineffectiveness recognised in P&L	Hedging gains/losses recognised in OCI	Cash flow hedge reclassified to profit or loss because	
			the hedged item has affected profit or loss	the hedged future cash flows are no longer expected to occur
Dec 21				
Fair value hedges				
Interest rate risk	-4	0	0	0
Cash flow hedges				
Interest rate risk	-7	-228	-3	0
Foreign exchange risk	-1	-70	0	0
Total	-7	-298	-3	0
Dec 20				
Fair value hedges				
Interest rate risk	-2	0	0	0
Cash flow hedges				
Interest rate risk	4	120	-14	0
Foreign exchange risk	1	-8	0	0
Total	3	111	-14	0

Ineffectiveness from both fair value and cash flow hedges is presented under 'Net trading result' in the statement of income. The amounts reclassified from the cash flow hedge reserve are presented in the line 'Other similar income' under 'Net interest income' for hedges of interest rate risk and 'Net trading result' for hedges of foreign exchange risk.

Application of the Interest Rate Benchmark Reform for hedge accounting

Interest rate benchmark reform and its impact on Erste Group are described in note xy Interest Rate Benchmark Reform. Regarding hedge accounting, Erste Group considers that it is exposed to uncertainties resulting from the reform in respect of its hedges of USD LIBOR interest risk. Hedging instruments with nominal amount USD 50 million (EUR 44 million) (2020: USD 50 million (EUR 41 million)) designated in fair value hedges of bonds acquired and nominal amount USD 150 million designated (EUR 132 million) in fair value hedges of debt securities issued are affected. Their hedging period reaches beyond the cessation date of the respective LIBOR rates (30 June 2023 for USD LIBOR 1M, 3M, 6M and 12M tenors).

When it comes to the replacement of USD LIBOR rates, the interest rate swap hedging instruments will be affected both by replacements of the reference rate used for their floating legs USD (3-month LIBOR rate changed into 3-month term SOFR) and the change in the discounting curve. On the hedged items side, the hedged benchmark interest rate risk portion will be affected by change in the discounting curve (LIBOR-based discounting curve changed into overnight SOFR-based discounting curve).

As a result of these uncertainties, Erste Group applies the amendments to IAS 39 Interest Rate Benchmark Reform (issued in September 2019 – Phase 1 of the Interest Rate Benchmark Reform IASB project) which bring some reliefs enabling not to discontinue these hedges as long as uncertainties arising from the reform exist. More specifically, it is necessary to prove that the non-contractually specified benchmark portion of interest rate risk (resulting from the USD LIBOR curve) is separately identifiable only at the hedge inception and not during the hedge life. For testing of prospective effectiveness it is assumed that the hedging instrument and the hedged risk of the hedged item do not change as a result of the reform. If the retrospective effectiveness requirements were not met the hedges would not need to be discontinued. However, any hedge ineffectiveness would be accounted for in profit or loss. Application of these reliefs will cease when there is no longer uncertainty about the USD LIBOR-based cash flows of the hedging instruments and the hedged benchmark interest rate risk portion.

CHF LIBOR rates ceased to be published at the end of 2021 and have been replaced by SARON rates. Hedging instruments with nominal amount of CHF 200 million (EUR 194 million) designated in fair value hedges of debt securities issued were affected by the replacement. The 3-month CHF LIBOR rates applied for the floating leg of hedging interest rate swaps were replaced by the 3-month term SARON rates (including the adjustment spread). Discounting rate was changed from the CHF to the SARON curve. On the side of the hedged item, the hedged interest risk portion was amended from the 3-month CHF LIBOR curve to the SARON curve (plus the adjustment spread). In line with the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 issued in August 2020, the designation and documentation of these hedges was updated and all the impacts from the valuation changes were recognised immediately in profit or loss without terminating the hedges.

Erste Group also hedges interest rate risks in EUR and CZK. However, for these currencies it does not consider to be exposed to uncertainties resulting from the reform. For EUR all the hedges relate to EURIBOR interest rates which have been reformed and are EU Benchmark Regulation compliant. The same applies in CZK for PRIBOR, whose calculation methodology was strengthened in 2020 while continuing to measure the same underlying interest.

28. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Erste Group undertakes interest rate derivative transactions via London Clearing House and EUREX, credit derivative transactions via ICE Clear Europe Ltd by fulfilling all offsetting requirements according IAS 32. Offsetting is carried out between asset and liability derivative positions, while the net position is further offset with variation margin amounts.

The following table shows netting effects on the balance sheet of Erste Group as well as the impacts of offsetting financial instruments which are subject to offsetting agreements.

Financial assets subject to offsetting and potential offsetting agreements

in EUR million	Financial assets (gross)	Amounts offset (gross)	Financial assets in balance sheet (net)	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received	Other financial collateral received	
Dec 21							
Derivatives	4,721	2,379	2,342	1,127	729	0	487
Reverse repurchase agreements	16,777	0	16,777	0	8	16,492	276
Total	21,498	2,379	19,119	1,127	737	16,492	763
Dec 20							
Derivatives	5,477	2,318	3,159	1,476	1,121	0	563
Reverse repurchase agreements	17,869	0	17,869	0	2	17,390	476
Total	23,346	2,318	21,028	1,476	1,123	17,390	1,040

Financial liabilities subject to offsetting and potential offsetting agreements

in EUR million	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in balance sheet (net)	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral pledged	Other financial collateral pledged	
Dec 21							
Derivatives	4,460	2,527	1,933	1,127	251	70	486
Repurchase agreements	1,586	0	1,586	0	2	1,584	0
Total	6,046	2,527	3,519	1,127	253	1,654	486
Dec 20							
Derivatives	4,321	2,095	2,226	1,476	359	49	343
Repurchase agreements	2,196	0	2,196	0	12	2,180	4
Total	6,517	2,095	4,422	1,476	371	2,228	348

The impact of offsetting is shown in the column 'Amounts offset (gross)'. The net position between the offset derivative amounts EUR 148 million (2020: EUR 223 million) is further offset with variation margin balances presented under balance sheet items 'Cash and cash balances' in amount EUR 328 million (2020: EUR 62 million) and 'Financial liabilities measured at amortised cost', sub-item 'Deposits from banks' in amount of EUR 180 million (2020: EUR 285 million).

Erste Group employs repurchase agreements and master netting agreements as a means of reducing credit risk of derivative and financing transactions. They qualify as potential offsetting agreements. Master netting agreements are relevant for counterparties with multiple derivative contracts. They provide for the net settlement of all the contracts in the event of default of any counterparty. For derivatives transactions the values of assets and liabilities that would be set off as a result of master netting agreements are presented in the column 'Financial instruments'. If the net position is further secured by cash collateral or other financial collaterals the effects are disclosed in columns 'Cash collateral received / pledged' and 'Other financial collateral received / pledged' respectively.

Repurchase agreements are primarily financing transactions. They are structured as a sale and subsequent repurchase of securities at a pre-agreed price and time. This ensures that the securities remain in the hands of the lender as collateral in case the borrower defaults on fulfilling any of its obligations. Offsetting effects from repurchase agreements are disclosed in the column 'Other financial collateral received / pledged' respectively. Collateral is presented at the fair value of the transferred securities. However, if the fair value of collateral exceeds the carrying amount of the receivable/liability from the repo transaction the value is capped at the level of the carrying amount. Remaining position may be secured by cash collateral. Cash and other financial collateral involved in these transactions is restricted from being used it by the transferor during the time of the pledge. For further details regarding repurchase and reverse repurchase transactions we refer to Note 29 Transfers of financial assets – repurchase transactions and securities lending

29. Transfers of financial assets – repurchase transactions and securities lending

Repurchase and reverse repurchase agreements

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

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

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

Securities lending and borrowing

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

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

in EUR million	Dec 20		Dec 21	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	754	754	753	739
Financial assets at AC	664	666	573	559
Trading assets	40	39	50	50
Non-trading financial assets at FVPL	0	0	0	0
Financial assets at FVOCI	50	49	130	130
Securities lendings	1,270	0	982	0
Financial assets at AC	1,235	0	659	0
Trading assets	28	0	323	0
Non-trading financial assets at FVPL	8	0	0	0
Financial assets at FVOCI	0	0	0	0
Total	2,024	754	1,735	739

The transferred financial instruments consist of bonds and other interest-bearing securities. The total amount of transferred financial assets represent the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledge. The associated liabilities from repo transaction, which are measured at amortised cost, represent an obligation to repay the borrowed funds.

The following table shows fair values of the transferred assets and associated liabilities for repo transactions with an existing recourse right only on the transferred assets:

in EUR million	Dec 20			Dec 21		
	Fair value of transferred assets	Fair value of associated liabilities	Net position	Fair value of transferred assets	Fair value of associated liabilities	Net position
Financial assets at AC	767	665	101	572	559	13
Trading assets	40	39	2	50	50	0
Non-trading financial assets at FVPL	0	0	0	0	0	0
Financial assets at FVOCI	50	49	1	130	130	0
Total	857	753	104	752	739	13

30. Collaterals

Carrying amount of financial assets pledged as collaterals

in EUR million	Dec 20	Dec 21
Financial assets at AC	40,641	41,386
Trading assets	181	380
Non-trading financial assets at FVPL	57	0
Financial assets at FVOCI	776	488
Total	41,654	42,254

The financial assets pledged as collateral consist of loans and advances to customers, bonds and other interest-bearing securities. Collaterals were pledged as a result of repurchase transactions, refinancing transactions with the European Central bank (ECB) and the respective National Banks, loans backing issued mortgage bonds and other collateral arrangements.

The fair value of collateral received which may be repledged or resold even without the collateral provider's default was EUR 18,500.3 million (2020: EUR 19,156.9 million). Collateral with fair value of EUR 754.5 million (2020: EUR 1,532.3 million) was resold. Collateral with fair value of EUR 368.3 million (2020: EUR 29.9 million) was repledged. The bank is obliged to return the resold and repledged collateral.

31. Securities

in EUR million	Dec 20					Dec 21				
	At AC	Trading assets	Financial assets			At AC	Trading assets	Financial assets		
			Mandatorily at FVPL	Designated at FVPL	At FVOCI			Mandatorily at FVPL	Designated at FVPL	At FVOCI
Bonds and other interest-bearing securities	29,579	3,368	1,446	603	8,389	35,551	4,125	1,499	476	8,749
Listed	28,095	2,454	685	164	6,367	33,027	1,841	701	98	6,832
Unlisted	1,484	914	761	439	2,022	2,524	2,284	798	379	1,917
Equity-related securities	0	34	347	0	130	0	84	332	0	132
Listed	0	28	124	0	43	0	76	113	0	56
Unlisted	0	6	223	0	87	0	9	219	0	77
Total	29,579	3,402	1,793	603	8,519	35,551	4,210	1,830	476	8,881

Investment funds units are reported within bonds and other interest bearing securities.

Risk and capital management

32. Risk management

Risk policy and strategy

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success.

Erste Group has developed a risk management framework that is forward-looking and tailored to its business and risk profile. This framework is based on a clear risk strategy that sets out general principles according to which risk taking must be performed across the Group. The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

The risk strategy describes the current and targeted risk profile, defines risk management principles, strategic goals and initiatives for the main risk types as well as sets strategic limits for the significant financial and non-financial risk types as defined in the Risk Materiality Assessment. The risk strategy is executed within a clearly defined governance structure. This structure also applies to monitoring of risk appetite, additional metrics, as well as to the escalation of limit breaches.

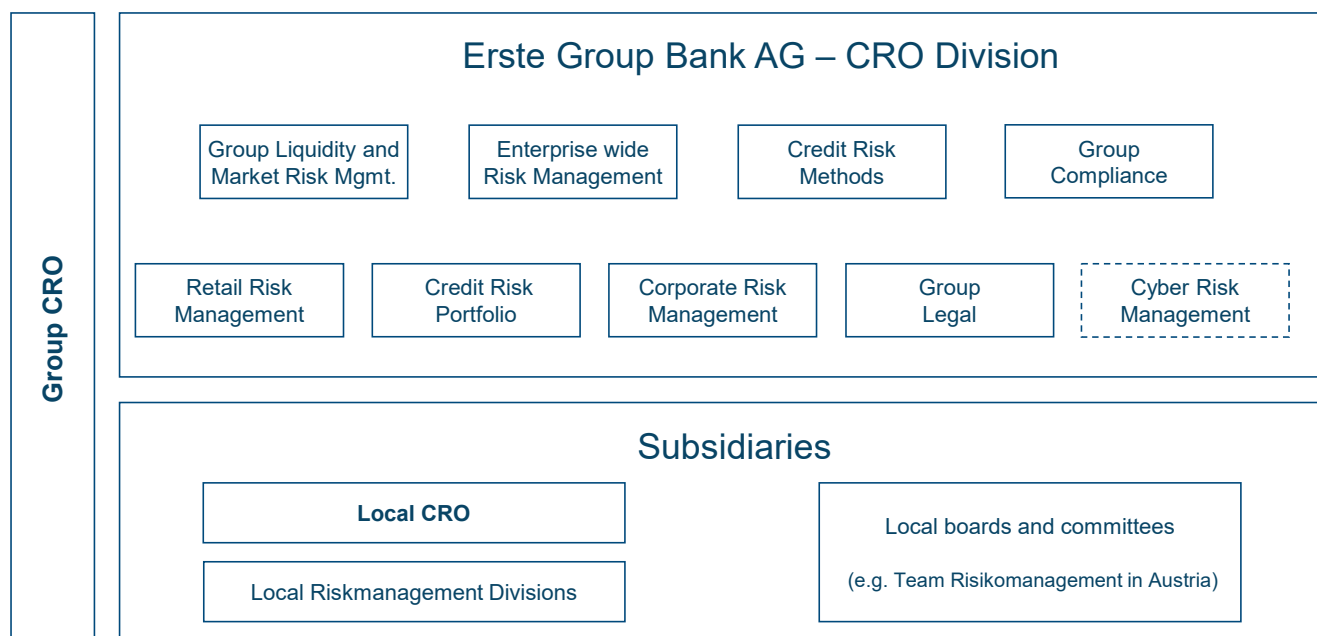
In 2021, management attention has been dedicated not only to ongoing Covid-19 pandemic, but also to Environmental, Social and Governance (ESG) risks as new risk type. ESG has been assessed as material risk in 2021 Group Risk Materiality Assessment (first-time assessment), based on climate-related and environmental risks ('E' component), while the assessment of social ('S') and governance ('G') risks is planned for 2022. In order to mitigate this risk, significant resources in both business and risk area have been dedicated to set-up and implement ESG action plan, which includes the establishment of comprehensive internal framework ranging from business strategy, dedicated governance, over risk management to disclosures.

Erste Group Bank AG uses the Internet as the medium for publishing its disclosures under Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR) and Regulation (EU) No. 876/2019 amending Regulation (EU) No. 575/2013. Details are available on the website of Erste Group at www.erstegroup.com/ir. Relevant disclosures are included in the annual report in the section 'Reports' or published as separate documents in the section 'Regulatory disclosure'.

Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits.

The following chart presents an overview of Erste Group's risk management organisation:



In 2021 there were no organizational changes in the CRO area. The structure established in 2020 was continued and strengthened.

Risk management structure

The management board and in particular Erste Group's Chief Risk Officer (Group CRO) perform the oversight function within Erste Group's risk management structure. Risk control and risk steering within Erste Group are performed based on the business strategy and risk appetite approved by the management board. The Group CRO, working together with the chief risk officers of the subsidiaries, is responsible for the implementation and adherence to the risk control and risk management strategies across all risk types and business lines.

The management board and, in particular, the Group CRO ensure the availability of appropriate infrastructure and staff as well as methods, standards and processes to that effect; the actual identification, measurement, assessment, approval, monitoring, steering and limit setting for the relevant risks are performed on the operating entity level within Erste Group.

At group level, the management board is supported by several divisions established to perform operating risk control functions and exercise strategic risk management responsibilities. The following risk management functions report directly to the Group CRO:

- _ Group Liquidity and Market Risk Management;
- _ Enterprise wide Risk Management;
- _ Credit Risk Methods;
- _ Group Compliance;
- _ Retail Risk Management:
- _ Credit Risk Portfolio;
- _ Corporate Risk Management;
- _ Group Legal;
- _ Cyber Risk Management;
- _ Local Chief Risk Officers.

Group Liquidity and Market Risk Management

The division Group Liquidity and Market Risk Management comprises all market and liquidity risk functions in Erste Group. This division is responsible for steering, measuring, and controlling liquidity and market risk. It covers both banking book and trading book and ensures the development and validation of liquidity and market risk models for regulatory as well as for internal steering purposes.

Enterprise wide Risk Management

Enterprise wide Risk Management (ERM) focuses on holistic risk management and ensures comprehensive cross-risk group-wide risk portfolio steering, monitoring, analysis, and reporting. ERM drives key strategic initiatives to establish greater cohesion between risk strategy (including risk appetite and limit steering) and operational execution. It also comprises recovery & resolution planning as well as the management of non-financial risk. ERM works together with all risk functions and key divisions to strengthen risk oversight group-wide, covering capital, credit, liquidity, market, operational, and business risk.

Credit Risk Methods

The responsibilities of the area comprise the development, maintenance and validation of credit risk models in accordance with the regulatory requirements for the internal ratings-based approach. A dedicated organisational unit takes care of model risk governance and the strategic planning of model changes.

Group Compliance

In line with Austrian and European Union legislations, Group Compliance ensures the implementation and steering of measures to prevent money laundering, terrorism financing and fraud. Furthermore, it is responsible for standards and measures to comply with financial sanctions and embargoes. Another central task consists in the implementation and enforcement of regulatory provisions for insider trading, market manipulation and other misconduct in securities business.

Retail Risk Management

Retail Risk Management covers the operational credit decisions and the collection and workout activities for retail clients of Erste Bank der oesterreichischen Sparkassen AG (EBOe). Credit decision and collection systems are developed, validated and adapted to new requirements for EBOe and savings banks. In order to ensure the sustained performance of the retail loan portfolio, Retail Risk Management defines group-wide framework conditions and requirements for lending within the Group's risk/return profile.

Credit Risk Portfolio

Credit Risk Portfolio monitors the development of the overall loan portfolio of EBOe, Erste Group Bank AG and the Group with a specific focus on non-retail clients. Active steering ensures the operative implementation of the Group's credit risk strategies. The division is also in charge of continuously improving underwriting processes as well as for corporate and retail risk management projects with a particular focus on digital initiatives. Credit Risk Portfolio is also responsible for rating control, real estate valuations and credit analytics.

Corporate Risk Management

Corporate Risk Management is responsible for credit underwriting, restructuring (including sales of non-performing loans) for corporate and real estate clients, financial institutions, sovereigns and municipalities in EBOe and Erste Group Bank AG as well as group-wide for the local customers if their local credit limits are exceeded.

Group Legal

Group Legal acts as the central legal department of Erste Group Bank AG. This division provides legal support and counsel for the management board, the business units and the central functions, and mitigates legal risk. It also attends to legal sourcing and to dispute resolution and litigation.

Cyber Risk Management

Cyber Risk Management is a risk control unit segregated from IT and security operations, responsible for managing and overseeing cyber risks, monitoring and controlling adherence to cyber risk management framework.

Local Chief Risk Officers

Each subsidiary has separate risk control and management units with responsibilities tailored to the local requirements, which are headed by the respective local chief risk officer (Local CRO).

Group coordination of risk management activities

The management board regularly deals with risk issues of all risk types in its regular board meetings. Actions are discussed and taken when needed.

Furthermore, certain cross-divisional committees were established with the purpose of carrying out risk management activities in Erste Group. They are shown in the following diagram:



The **Risk Committee of the Supervisory Board** is responsible for granting approval in all cases in which loans and exposures reach an amount exceeding the approval authority of the management board according to the Credit Risk Approval Authority Regulations. It is in charge of granting approval to large exposures pursuant to Article 392 CRR, if such a claim is equal to or exceeds 10% of the eligible capital of a credit institution. Within the competence assigned to it, the committee may grant advance approvals to the extent permitted by law.

The **Risk Committee** meets regularly and it is responsible for supervising the risk management of Erste Group Bank AG. As the central risk control body it is regularly briefed on the risk status across all risk types.

The **CRO Board** is responsible for the coordination and implementation of risk management activities within Erste Group. The CRO Board consists of the Group CRO, the chief risk officers of major subsidiaries within Erste Group and the B-1 managers of the Holding CRO division. Chaired by the Group CRO, the CRO Board is the primary body for aligning on strategically relevant topics of the risk division across Erste Group entities, including (but not limited to) the group-wide strategic planning, the project portfolio and Change the Bank (CtB) investments. The CRO Board ensures a consistent flow of information from and to the group functions and supports the setting of the overall risk agenda.

The **Holding Credit Committee** (HCC) is the highest operative decision-making body which decides on credit applications addressed to members of the Holding Board in accordance with the currently valid Credit Risk Approval Authority Regulations of Erste Group Bank AG, including acceptance of the nonfinancial risk related to reputational impact (amber and red). It also decides on annual corporate industry

strategy report. HCC recommends the lending decision on the credit applications that exceed the approval authority of the HCC to the Risk Committee of the Holding Supervisory Board in accordance with the current valid credit risk approval authority regulations. The HCC is headed by the Group CRO and comprises the board member of Corporates & Markets, the head of Corporate Risk Management, Head of Credit Risk Portfolio, the head of the requesting business line, the head of Enterprise wide Risk Management (only with a veto right for nonfinancial risk related to reputational impact: ‘amber’ and ‘red’) and the Head of the Group ESG Office only with a sustainability-linked/justified veto right for credit applications of clients / client groups with a critical ESG assessment. Each subsidiary has their own local credit committee established by the same principles.

The **Market Risk Committee** (MRC) is the main steering body for market risk and trading book related issues of Erste Group, including ESG risks. MRC approves group-wide market risk limits and elaborates on the current market situation. In addition, it approves market risk methodologies and models, model changes, and related validation results.

The **Operative Market Risk Committee** (OMRC) prepares decisions for the MRC and approves sensitivity and notional limits which do not require VaR/SVaR limit adjustments.

The **Strategic Risk Executive Committee** (SREC) holds specific delegated decision authority from the Holding and EBOe Board with respect to all group-wide and selected AT-wide material risk matters including: all risk relevant models and methodologies, as well as oversight of the group-wide consistency in the execution of group wide model governance and standards regarding model development, validation and monitoring. In regard to Market & Liquidity risk topics (ICAAP, model relevant), those are approved via ALCO/MRC (Market Risk Committee) and pre-approval is ensured by SRMC or SREC depending on the materiality. All topics/changes assessed as material are subject of SREC approval. Topics which are affecting the Group (e.g. group-wide aspects, local models used for P1/P2 group consolidated purposes etc.) are approved in line with dual approval principle (local pre-approval, followed by SREC-approval). The committee is chaired by the Group/EBOe CRO.

The **Strategic Risk Management Committee** (SRMC) is responsible for the approval/acknowledgment of the immaterial risk management topics for Holding and EBOe including all risk relevant models and methodologies, as well as oversight of the Group-wide consistency in the execution of group-wide model governance and standards regarding model development, validation and monitoring. In regard to Market & Liquidity risk topics (ICAAP, model relevant), those are approved via ALCO/MRC (Market Risk Committee) and pre-approval is ensured by SRMC or SREC depending on the materiality. Topics which are affecting the Group (e.g. group-wide aspects, local models used for P1/P2 group consolidated purposes etc.) are approved in line with dual approval principle (local pre-approval, followed by SRMC-approval). The committee is chaired by head of Credit Risk Methods, (Deputy) Head of Enterprise wide Risk Management or Head of Credit Risk Portfolio (quarterly rotating responsibility and deputy role).

The **Stress Testing Committee** (STC) is the sole forum for all joint resolutions, decisions and acknowledgements in the stress testing area for group-wide stress testing activities.

The **Group Resolution Committee** (GRC) is the sole group-wide forum for all joint alignments, endorsements, decision making as well as acknowledgements related to resolution relevant topics in Erste Group’s across all its divisions, departments and staff units. The Committee is created under the guidance set forth in SRBs (Single Resolution Board) ‘Expectations for Banks (EfB)’ document under paragraph 2.1.3, and clustered based on the resolvability dimensions set out by the SRB’s guidance. GRC is chaired by Group CRO.

The **United States Risk Committee** (USRC) holds delegated decision authority from the Holding Board with respect to overseeing Combined U.S. Operations (CUSO) risk management policies and the implementation of such policies. The USRC must take appropriate measures to ensure that CUSO (comprised of the New York Branch (NYB) and Erste (Finance) Delaware LLC, the EGB-owned commercial paper subsidiary managed by the branch) implements the risk management policies that are overseen by the U.S. Risk Committee. Risk management policies must be commensurate with the nature, size and risk profile of its operations and activities.

The **Regional Operational Conduct Committee** (ROCC) (a) decides on strategic steering topics based on NFR reporting (holistic risk overview), (b) serves as a sounding board on business risk decisions concerning non-financial risks and ESG impacts and (c) decides on escalations to Holding Board. It facilitates lessons learned, initiates focus areas, decides on the implementation of corresponding group-wide measures and acts as a Committee for reputational risk and ESG related non-financial risk impact. The ROCC is a forum for joint alignments, decisions, and escalations in non-financial risk areas across Erste Group entities and Erste Group Bank AG itself.

The **Group IT Risk & Security Committee** (GIRSC) is a designated sub-committee of the Management Board of Erste Group Bank AG (Holding Board). The decision authority of the GIRSC covers group-wide governance of Erste Group including Holding as a legal entity. The GIRSC is entitled to ensure group-wide consistency of standards, methodology, management processes in identification, assessment and reporting Cyber/ICT risk & Security, including monitoring of mitigation measures, controls and residual risk.

The **Group Asset/Liability Committee** (ALCO) manages the consolidated Erste Group balance sheet, focusing on trade-offs between all affected consolidated balance sheet risks (interest rate, exchange rate and liquidity risks), and takes care of the setting of group standards and limits for the members of Erste Group. In addition, it approves policies and strategies for controlling liquidity risk as well as interest

rate risk (net interest income) and examines proposals, statements and opinions of ALM, risk management, controlling and accounting functions. The approved investment strategy complies with the guidelines agreed with Risk Management.

The **Operational Liquidity Committee (OLC)** is a discussion forum and decision-making body on liquidity related topics organized by the local ALM units. It analyses the liquidity situation of the respective unit in the context of the current market situation and the future market outlook, decides on liquidity issues and reports directly to the ALCO. Furthermore, the Chairman of the OLC is the primary contact person for other departments or OLC members for liquidity related topics. Local OLC, which shall be held on a bi-weekly basis, is a regular committee dealing with liquidity related topics of the respective unit.

Since September 2021 the **Banking Book Committee (BBC)** is established on Holding level serving as a discussion forum and decision-making body on IRRBB related topics. It is organized by Group ALM. It analyses the IRRBB situation of the entire Group, decides on IRRBB related issues and serves as a sub-committee to Group ALCO. All relevant decisions made on this committee are reported to the Group ALCO.

In addition, committees are established at local level, such as the 'Team Risikomanagement' in Austria. It is responsible for a common risk approach with the Austrian savings banks.

Group-wide risk and capital management

Enterprise wide Risk Management (ERM) includes as its fundamental component the Internal Capital Adequacy Assessment Process (ICAAP) as required under Pillar 2 of the Basel framework and regulatory guides (e.g. ECB Guide to ICAAP).

The ERM framework is designed to support the bank's management in managing the risk portfolios as well as the coverage potential to ensure that the bank holds adequate capital for the nature and magnitude of its risk profile at all times. The framework is tailored to the Erste Group's business and risk profile and reflects the strategic goal of protecting shareholders and senior debt holders while ensuring the sustainability of the organisation.

ERM framework is a modular and comprehensive management and steering system within Erste Group as well as an essential part of the overall steering and management instruments. The ERM components necessary to ensure all aspects, in particular to fulfil regulatory requirements and to provide an effective internal steering tool, can be clustered as follows:

- _ Risk Appetite Statement (RAS), limits and risk strategy;
- _ portfolio and risk analytics including Risk Materiality Assessment (RMA), concentration risk management, and stress testing;
- _ Risk-bearing Capacity Calculation (RCC);
- _ Capital allocation and performance management;
- _ planning of key risk indicators;
- _ recovery and resolution planning.

In addition to the ICAAP's ultimate goal of assuring capital adequacy and sustainability at all times, the ERM components serve to support the bank's management in pursuing its strategy.

Risk appetite

Erste Group defines the maximum level of risk it is willing to accept in order to meet its business objectives within the Group's risk appetite (Group RAS). The Group RAS acts as a binding constraint to Erste Group's business activities within its overall risk appetite via triggers and limits approved by the management board and the risk committee of supervisory board and acknowledged by the supervisory board. It is integrated and embedded into Erste Group's structural processes; including business and risk strategy, budgeting process, capital and liquidity planning, recovery plan, stress testing and remuneration framework. The Group RAS consists of a set of core risk metrics (capital, liquidity, risk/earnings) providing quantitative direction for overall risk-return steering and qualitative statements in the form of key risk principles that are part of the guidelines for managing risks.

The core risk metrics are set as ultimate boundaries for the Group risk-return target setting. They are also a key part of the annual strategic planning / budgeting process and give an overall picture of capital, liquidity and risk-return trade-offs. The key objective of the RAS is to:

- _ ensure that Erste Group has sufficient resources to support its business at any given point in time and absorb stress events;
- _ set boundaries for the Group's risk target setting;
- _ support the group's financial strength and the robustness of its systems and controls.

To foster risk-return steering and ensure proactive management of the risk profile, Erste Group creates its RAS on a forward-looking basis. External constraints such as regulatory requirements create the floor and ceiling for the RAS and therefore the amount of risk Erste Group is willing to accept. In order to ensure that the group remains within the targeted risk profile, a traffic light system was established and assigned to the core metrics. This approach allows a timely delivery of information to the respective governance and the implementation of effective remediation measures. The RAS traffic light system is defined as follows:

- _ RAS is green: The target risk profile is within the specified boundaries.

- _ RAS is amber: The undershooting or overshooting of a pre-defined threshold leads to an escalation to the designated governance and the discussion of potential remediation actions.
- _ RAS is red: The undershooting or overshooting of a pre-defined limit initiates an immediate escalation to the designated governance and a prompt implementation of remediation actions.

Moreover, stress indicators are defined for selected core metrics and integrated into the assessment of the stress test results. They are reported as early warning signals to the management board to support proactive management of the risk and capital profile.

In addition, supporting metrics and principles are defined by material risk type in the Group Risk Strategy based on Group RAS. These support implementation of the mid- to long-term strategy. Risk management governance ensures full oversight of risk decisions and sound execution of the Group risk strategy. Mitigating actions are undertaken as part of the regular risk management process to ensure that the Group remains within its RAS.

Group RAS is also cascaded to local entities. Local RAS is approved by the management board to ensure compliance with the Group RAS and also approved by the local management board to ensure alignment with local regulatory requirements. The Group may also decide to include further compulsory constraints and limits in local RAS to ensure alignment with Group RAS and Group Risk Strategy.

The Group further developed an aggregated and consolidated risk appetite dashboard (Risk Dashboard) illustrating the group's and local entities' risk profile developments by comparing the risk exposure and risk limits. The Risk Dashboard is regularly presented to the management board and to the supervisory board (including risk committee of supervisory board) to support its review, oversight, and monitoring of the group risk profile and the risk profile of its local entities.

Group RAS 2021 was approved by the management board and the risk committee of supervisory board and acknowledged by supervisory board in the last quarter of 2020.

Portfolio and risk analytics

Erste Group uses dedicated infrastructure, systems and processes to actively identify, measure, control, report and manage risks within its portfolio. Portfolio and risk analytics processes are designed to quantify, qualify and discuss risks in order to raise awareness to management in a timely manner.

Risk materiality assessment

The Risk Materiality Assessment (RMA) determines the materiality of risk types and consequently the risk profile across Erste Group and its entities. RMA is an annual process with the purpose of systematic identification of new and assessment of all risks for the Group. As such, the RMA is an integral part of the ICAAP and serves as a steering tool for senior management.

Insights generated by the assessment are used to improve risk management practices and further mitigate risks within the Group. The assessment also serves as input for the design and definition of the Group's risk strategy and Risk Appetite Statement. Key outputs and recommendations of the RMA are considered in the scenario design and selection of the comprehensive and reverse stress tests.

Risk concentration analysis

Erste Group has implemented a process to identify measure, control and manage risk concentrations. This process is important to ensure the long-term viability of Erste Group, especially in times of an adverse business environment and stressed economic conditions.

The risk concentration analysis at Erste Group is performed on an annual basis covering credit risk, market risk, operational risk, liquidity risk and inter-risk concentrations. Identified risk concentrations are considered in the scenario design of the comprehensive stress test and measured under stressed conditions. The output of the risk concentration analysis additionally contributes to the identification of material risks within the RMA and to the setting/calibration of Erste Group's limit system.

Stress testing

Modelling sensitivities of the group's assets, liabilities and profit or loss provide management steering information and help to optimise Erste Group's risk-return profile. Stress tests help to factor in severe but plausible scenarios providing further robustness to measurement, steering and management. Risk modelling and stress testing are vital forward-looking elements of the ICAAP. Finally, sensitivities and stress scenarios are considered within the group's planning process.

Erste Group's most complex stress testing activities are scenario stress tests that take a comprehensive account of the impact of various economic scenarios, including second-round effects on all risk types (credit, market, liquidity and operational) and effects on the associated volumes of assets and liabilities as well as on profit and loss sensitivities. In addition to the standard scenario-driven stress testing exercises, reverse stress tests are performed to identify a scenario or a combination of scenarios in which viability of the current business model can be questioned.

Erste Group has developed specific tools to translate macroeconomic variables (e.g. GDP or unemployment rate) into risk parameters in order to support the stress testing process, which combines bottom-up and top-down approaches. For adapting the stress parameters, Erste Group additionally leverages the experience of its local professionals and uses, where appropriate, their statistical models to simulate the impacts of macroeconomic variables on the probabilities of default in the respective markets. Special attention is given to account for adequate granularity and special characteristics (i.e. countries and industries) when determining the segmentation in which the stressed parameters are defined.

Results from Erste Group's internal stress tests are analysed in order to decide on appropriate measures. The internal comprehensive stress tests performed in 2021 indicated no breach of stressed RAS triggers after the application of scenario contingent measures in the last year of adverse scenario.

Risk-bearing capacity calculation

The Risk-bearing Capacity Calculation (RCC) describes the methodology of Pillar 2 capital adequacy calculation. In contrast to the normative (regulatory) view of Pillar 1, referring to the Group's ability to fulfil all of its capital-related regulatory and supervisory requirements and demands, the RCC is based on an economic view of Pillar 1+ approach, assuming continuation of Erste Group as expected by the ECB Guide to ICAAP. The RCC determines whether the Group has sufficient internal capital for covering all (regulatory and economic) risks it is exposed to. Economic and normative perspectives at Erste Group are set in a way to mutually inform each other and are integrated into all material business steering activities and decisions. In addition, with applied Pillar 1+ approach the Group increases efficiency and ensures comparability with the Pillar 1 calculation. Based on the results of the RMA, economic capital is considered for relevant risk types as approved by the management board. The economic capital requirement is then compared to internally available capital (coverage potential) to cover the Group's risks in Pillar 2. Both economic capital and coverage potential are computed on the CRR scope of consolidation of Erste Group as ultimate parent entity based on IFRS accounting standards.

Besides the Pillar 1 risk types (credit, market and operational risks), interest rate risk in the banking book, foreign exchange risk arising from equity investments, credit spread risk in the banking book, risk from repayment vehicles as well as business risk are explicitly considered within the economic capital calculated over a horizon of one year and at a confidence level of 99.92%. For the calculation of the economic capital, Erste Group uses, where possible, more risk sensitive/advanced methodologies tailored to Erste Group's individual risk profile and specificities of the Group's individual risk exposures. Diversification effects between risks (inter-risk diversification) are not considered, reflecting the Group's prudent approach to maintain sufficient internal capital in times when correlations between risks may change dramatically (like in times of stress). The largest portion of economic capital requirements is coming from credit risk, which accounts for 72.6% of total economic capital requirements at the end of 2021.

The calculation of internal capital or coverage potential required to cover Pillar 2 risks/unexpected losses is based on Pillar 1+ approach. Namely, CRR and CRR II (Regulation (EU) No. 575/2013 and Regulation (EU) No. 876/2019 amending Regulation (EU) No. 575/2013) regulatory own funds are adjusted by internal capital components (Pillar 2 adjustments) necessary to come to the internally available capital deemed as risk-bearing and loss absorbing from the economic view (e.g. year-to-date profit (if not already considered in Pillar 1 capital), exclusion of Tier 2 capital instruments, Pillar 2 IRB expected loss excess/shortfall add-on, etc.).

The coverage potential must be sufficient to absorb Pillar 2 risks/unexpected losses resulting from the group's operations at any point in time (normal and stressed), as reflected in the Group's Risk Appetite through the limits set for Group economic capital adequacy and stressed capital adequacy utilisation. At the end of 2021, the economic capital adequacy was at 56.5%, fully in line with group RAS.

The management board, risk management committees and supervisory board are briefed quarterly on the results of the ICAAP capital adequacy through the Group Risk Report and the Risk Dashboard. The former includes risk profile developments, available capital (coverage potential), consideration of potential losses in stress situations, the degree of the risk limit utilisation and the overall status of capital adequacy. The latter outlines risk profile development in relation to risk appetite.

Risk planning

Group Risk Planning framework is essential for the capital allocation and overall financial planning processes and supports the adequate reflection of risks within the strategy, steering and management processes of the group.

Methods and instruments applied

Key risk indicators covered by the Risk Planning framework include indicators that provide an overview of incurred or potential risks, with respect to both portfolio and economic environment developments. Indicators include RWA (and related indicators), port-folio quality indicators (impairments, NPL/NPE and relevant performance indicators etc.), as well as indicators required by the regulatory authorities under the responsibility of the Risk division.

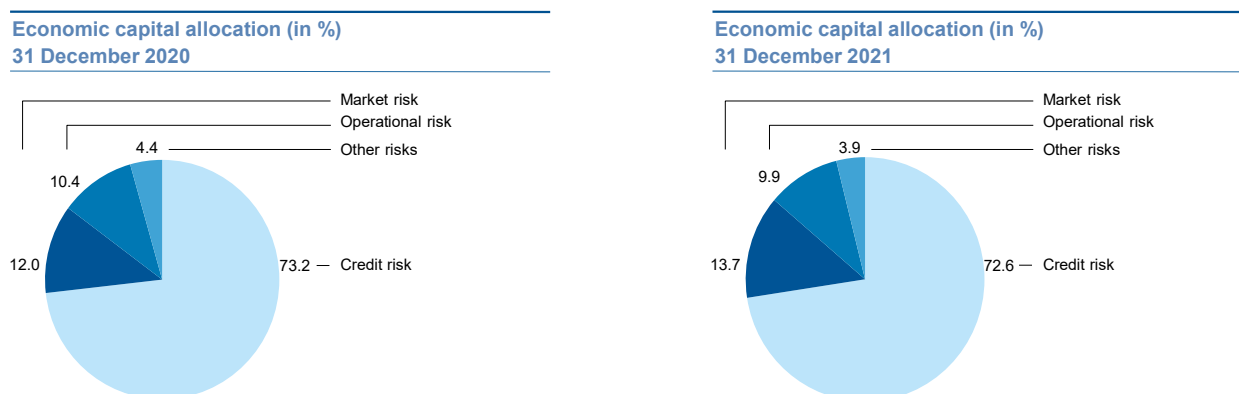
Planning activities are performed in close cooperation with all stakeholders in the group's overall process and follow a clear governance structure to ensure sound risk planning process.

Capital allocation

An important task integral to the risk planning process is the allocation of capital to entities, business lines and segments. This is done with close cooperation between Risk Management and Controlling. Methodology for allocation reflects risk and controlling processes in order to allocate capital with risk-return considerations.

Erste Group's aggregate capital requirements by risk type

The following diagrams present the composition of the economic capital requirements according to type of risk:



Other risks include business risk.

Recovery and resolution plans

In compliance with the Austrian Banking Recovery and Resolution Law ('Bundesgesetz über die Sanierung und Abwicklung von Banken – BaSAG') Erste Group submits an updated Group Recovery Plan to ECB every year.

The Group Recovery Plan identifies options for restoring financial strength and viability in case Erste Group comes under severe economic stress. The plan specifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of scenarios including both idiosyncratic and market-wide stress (in 2021 two Covid-19 related scenarios were requested by ECB). The recovery governance described in the plan ensures timely identification and proper management of any recovery situation. Furthermore, the assessment of the Group Recovery Plan and the recently addressed assessment of the overall recovery capacity are part of the Supervisory Review and Evaluation Process (SREP) assessment. It is relevant to demonstrate that, in a severe stress which is close to a failing or likely to fail situation, there is sufficient recovery capacity available.

Erste Group collaborates with the resolution authorities in the drawing up of resolution plans based on BaSAG and EU Regulation No 806/2014 establishing the Single Resolution Mechanism (SRM Regulation). Based on a joint decision taken in the Resolution College, Erste Group in April 2020 received notification of the preferred Multiple Point of Entry (MPE) resolution strategy on cross-country level, but a Single Point of Entry (SPE) resolution strategy within a country. This results in being MPE in Austria, the Czech Republic, Croatia, Hungary, Romania and Slovakia.

The Bank Recovery and Resolution Directive (BRRD) introduced the Minimum Requirement for own funds and Eligible Liabilities (MREL), which is, in case of Erste due to the MPE resolution strategy, set on Resolution Group level. Based on the MREL joint decisions taken in 2021, the National Resolution Authorities provided their legal notifications including binding intermediate requirements as of January 2022 and binding requirements as of January 2024. MREL requirements are expressed as a percentage of the total risk exposure amount (TREA), as well as leverage ratio exposure (LRE).

In June 2019 a banking reform package was published, which includes the Bank Recovery and Resolution Directive (BRRD2). The transposition into national law (BaSAG) was published on 28 May 2021. Key changes include the MREL expression in terms of total risk exposure amount (TREA) and leverage ratio exposure (LRE) instead of total liabilities and own funds (TLOF), adapted transition arrangements (binding intermediate MREL targets as of January 2022 and a common deadline of January 2024 to meet the final MREL targets) as well as tighter eligibility criteria. Potential changes in the MREL requirement will be reflected in Erste Group Bank AG's funding plan as to ensure compliance with MREL and subordination targets.

33. Own funds and capital requirements

Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to the Capital Requirements Regulation (CRR, Regulation (EU) No. 575/2013) and the Capital Requirement Directive (CRD IV, Directive (EU) 2013/36/EU)¹⁰. Both the CRD IV and CRD V¹¹ were transposed into national law in the Austrian Banking Act (ABA).

All requirements as defined in the CRR, the ABA and in technical standards issued by the European Banking Authority (EBA) are applied by Erste Group for regulatory purposes and for the disclosure of regulatory information.

Accounting Principles

The financial and regulatory figures published by Erste Group are based on IFRS. Eligible capital components are derived from the balance sheet and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation. Further details are explained in the section 'Regulatory scope of consolidation and institutional protection scheme'. The uniform closing date of the consolidated regulatory figures of Erste Group is the 31 December of the respective year.

Regulatory scope of consolidation and institutional protection scheme

The consolidated regulatory own funds and the consolidated regulatory capital requirements are calculated based on the scope of consolidation stipulated in the CRR. Based on Art. 4 para 1 (3), (16) to (27) CRR in line with Art. 18 and 19 CRR and para 30 ABA, the scope consists of credit institutions, financial institutions and ancillary service undertakings. Moreover, Art. 18 (7) CRR applies: Where an institution has a subsidiary which is an undertaking other than an institution, a financial institution or an ancillary services undertaking or holds a participation in such an undertaking, it shall apply to that subsidiary or participation the equity method. That method shall not, however, constitute inclusion of the undertakings concerned in supervision on a consolidated basis.

The definition pursuant to CRR differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities, that are subject to full consolidation.

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date Erste Group Bank AG and Erste Bank der oesterreichischen Sparkassen AG as well as Bausparkasse der österreichischen Sparkassen AG and all Austrian savings banks form this cross-guarantee system. Based on the cross-guarantee contract these entities are included as subsidiaries in Erste Group's regulatory scope of consolidation.

Furthermore, Erste Group Bank AG together with the Haftungsverbund entities forms an institutional protection scheme (IPS) according to Art. 113 para 7 CRR. Disclosure requirements for the institutional protection scheme according to Art. 113 para 7 e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

Consolidated own funds

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

The items of own funds as disclosed are also used for internal capital management purposes, except T2 capital instruments. Erste Group fulfilled the capital requirements throughout the reporting period. The regulatory minimum capital ratios including the capital buffers as of 31 December 2021 amount to

- _ 9.18% for CET1 capital (4.5% CET1, +2.5% capital conservation buffer, +1.0% systemic risk buffer, +1.0% O-SII buffer and +0.18% countercyclical capital buffer),
- _ 10.68% for tier 1 capital (sum of CET1 and AT1) and
- _ 12.68% for total own funds.

Capital buffer requirements are set out in sections 22 (capital conservation buffer), 23a (countercyclical buffer), 23d (Other Systemic Important Institution (O-SII) buffer) and 23e (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 23e para 3 ABA. All capital buffers have to be met entirely with CET1 capital and relate, except the countercyclical buffer, to 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).

¹⁰ Both CRD IV and CRR have been amended since the entry into force in 2014 inter alia with directive (EU) 2019/878 (CRD V) as well as regulations (EU) 2019/876 (CRR 2) and (EU) 2020/873 (CRR Quick Fix).

¹¹ CRD V has been transposed by an amendment of the BWG (BGBl I 2021/98; BWG-Novelle) which entered into force on 31 May 2021.

The ECB Banking Supervision adjusted the SREP approach for 2020 in light of the Covid-19 crisis. Therefore the ECB chose a pragmatic SREP 2020 approach which keeps the SREP 2019 decision in place. Thus Erste Group applies a Pillar 2 requirement (P2R) of 1.75% as of 31 December 2021.

After having enacted the transposition of the CRD V into national law, the relief regarding the composition of capital for the Pillar 2 requirement under article 70b (7) ABA can be applied. 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 December 2021.

The regulatory minimum capital ratios including the capital buffers and SREP requirements as of 31 December 2021 amount to

- _ a CET1 requirement of 10.16%
(Pillar 1 requirement of 4.5%, combined capital buffers of 4.68% and 56.25% of 1.75% Pillar 2 requirement),
- _ a T1 requirement of 11.99%
(CET1 requirement plus Pillar 1 AT1 requirement of 1.5% and 18.75% of 1.75% Pillar 2 requirement) and
- _ a total own funds requirement of 14.43%
(Tier 1 requirement plus Pillar 1 T2 requirement of 2.0% and 25% of 1.75% Pillar 2 requirement).

Following the SREP 2019, Erste Group is expected to meet a Pillar 2 Guidance (P2G) of 1.0% valid as of 1 January 2020 onwards. The ECB press release of 12 March 2020¹² and 1 July 2021¹³ also indicated that the Pillar 2 Guidance need not be fully complied with temporarily by credit institutions during the current Covid-19 crisis. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and capital buffers

	Dec 20	Dec 21
Pillar 1		
Minimum CET 1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirement	8.00%	8.00%
Combined buffer requirement (CBR)	4.68%	4.68%
Capital conservation buffer	2.50%	2.50%
Countercyclical capital buffer	0.18%	0.18%
Systemic risk buffer	2.00%	1.00%
O-SII capital buffer	2.00%	1.00%
Minimum CET 1 requirement (incl.CBR)	9.18%	9.18%
Minimum Tier 1 requirement (incl.CBR)	10.68%	10.68%
Minimum Own Funds requirement (incl.CBR)	12.68%	12.68%
Pillar 2	1.75%	1.75%
Minimum CET1 requirement	0.98%	0.98%
Minimum T1 requirement	1.31%	1.31%
Minimum Own Funds requirement	1.75%	1.75%
Total CET 1 requirement for Pillar 1 and Pillar 2	10.16%	10.16%
Total Tier 1 requirement for Pillar 1 and Pillar 2	11.99%	11.99%
Total Capital requirement for Pillar 1 and Pillar 2	14.43%	14.43%

The combined buffer requirement consists of the capital conservation buffer, the countercyclical capital buffer, the systemic risk buffer and the O-SII capital buffer. Previously the combined buffer requirement was calculated as 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.

As announced by the European Central Bank (ECB) in its press release on 12 March 2020 and 1 July 2021, Erste Group is not obliged to fully comply with the capital conservation buffer of 2.5% during the current Covid-19 crisis. In the 'Frequently Asked Questions - FAQs'¹⁴ 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 7.66%, its T1 requirement amounts to 9.49% and its total own funds requirement amounts to 11.93%.

¹² ECB Banking Supervision: <https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200312-43351ac3ac.en.html>

¹³ ECB Banking Supervision: <https://www.bankingsupervision.europa.eu/press/speeches/date/2021/html/ssm.sp210701-3f0230c51f.en.html>

¹⁴ ECB Banking Supervision: FAQs on ECB supervisory measures in reaction to the coronavirus (europa.eu)

Capital structure

in EUR million	Dec 20		Dec 21	
	Phased-in	Final	Phased-in	Final
Common equity tier 1 capital (CET1)				
Capital instruments eligible as CET1	2,337	2,337	2,337	2,337
Retained earnings	13,002	13,002	14,156	14,156
Accumulated other comprehensive income	-1,690	-1,690	-1,706	-1,706
Minority interest recognised in CET1	4,891	4,891	5,219	5,219
Common equity tier 1 capital (CET1) before regulatory adjustments	18,540	18,540	20,006	20,006
Own CET1 instruments	-63	-63	-263	-263
Prudential filter: cash flow hedge reserve	-36	-36	206	206
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	289	289	207	207
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-3	-3	-4	-4
Value adjustments due to the requirements for prudent valuation	-58	-58	-86	-86
Securitized with a risk weight of 1,250%	-29	-29	-33	-33
Goodwill	-544	-544	-550	-550
Other intangible assets	-720	-720	-392	-392
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-48	-48	-178	-178
IRB shortfall of credit risk adjustments to expected losses	0	0	0	0
CET1 capital elements or deductions – other	-270	-270	-109	-109
Common equity tier 1 capital (CET1)	17,057	17,057	18,804	18,804
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1	2,733	2,733	2,236	2,236
Instruments issued by subsidiaries that are given recognition in AT1	7	7	7	7
Additional tier 1 capital (AT1) before regulatory adjustments	2,740	2,740	2,243	2,243
Own AT1 instruments	-2	-2	-1	-1
AT1 instruments of financial sector entities where the institution has a significant investment	0	0	0	0
Additional tier 1 capital (AT1)	2,738	2,738	2,241	2,241
Tier 1 capital = CET1 + AT1	19,795	19,795	21,045	21,045
Tier 2 capital (T2)				
Capital instruments and subordinated loans eligible as T2	3,222	3,222	3,065	3,065
Instruments issued by subsidiaries recognised in T2	209	209	173	173
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	0	0	50	0
IRB excess of provisions over expected losses eligible	467	467	522	522
Tier 2 capital (T2) before regulatory adjustments	3,899	3,899	3,811	3,760
Own T2 instruments	-50	-50	-47	-47
Standardised approach general credit risk adjustments	0	0	0	0
Tier 2 capital (T2)	3,848	3,848	3,763	3,713
Total own funds	23,643	23,643	24,808	24,758
Capital requirement	9,440	9,612	10,196	10,372
CET1 capital ratio	14.5%	14.2%	14.8%	14.5%
Tier 1 capital ratio	16.8%	16.5%	16.5%	16.2%
Total capital ratio	20.0%	19.7%	19.5%	19.1%

In accordance with Art. 26 (2) CRR the item 'retained earnings' and 'minority interest recognised in CET1' includes the profit of EUR 1,366 million approved by the ECB decision as of 9 February 2022. This profit is split into 'retained earnings' EUR 1,132 million (2020: EUR 451 million) and 'minority interest recognised in CET1' in an amount of EUR 234 million (2020: EUR 115 million).

The position CET1 elements or deduction – others includes the development of unaudited risk provisions during the year (EU No 183/2014) and insufficient coverage for non-performing exposures (NPE Backstop) covering the requirements from both Art. 36 para 1 (m) CRR in connection with Art. 47(c) CRR and the Addendum to the ECB Guidance to banks on non-performing loans: supervisory expectations for prudential provisioning of non-performing exposures.

The capital structure table above is based on the Commission Implementing Regulation (EU) No 2021/637 laying down implementing technical standards with regard to disclosure of own funds requirements. Positions, which are not relevant for Erste Group are not disclosed. Figures shown under full implementation (final) of Basel 3 consider the current CRR.

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

Likewise financial statements of single entities within the group have not been noticed by the supervisory board yet. In addition, no resolution on the appropriation of the profit has yet been made by the general meeting of the single entity.

In 2021 the implementation of the CRR2 resulted in the following effects on the credit RWA:

- The preferential treatment for retail loans with a permanent contract against the unconditional transfer of part of the borrower's pension or salary was the first time applied in Erste Group in the first quarter 2021. This regulation is valid since the second quarter of 2020 as part of the CRR quick fix. The implementation had a negligible impact on the credit RWA (decrease of EUR 2 million).

- _ With the second quarter 2021 two other regulatory provisions of the CRR2 came into force: the new exposure calculation (SA-CCR) for derivative exposures and a new treatment for collective investment undertakings (CIU). Both provisions had a negative effect on the credit RWA. The new exposure calculation for derivatives increased the respective credit RWA of the underlying derivative portfolio by EUR 0.36 billion. For CIUs the risk weight changed for instruments where a look through or the mandate-based approach could not be applied. The new fallback risk weight of 1250% leads to a RWA increase of EUR 0.17 billion.
- _ Starting with the third quarter 2021 Erste Group makes use of the prudential treatment of software assets according to EU Regulation No. 2020/2176. This has a positive effect on the regulatory capital as the difference between the cumulated prudential and the accounting amortization determines the deduction in CET1 capital. The difference to its accounting carrying amount is subject to a risk weight of 100%. This results in a lower capital deduction from CET1 of EUR 0.4 billion and increases Erste Group's RWA by the same amount as of 31 December 2021.

Erste Group reports since the end of the second quarter of 2017 on consolidated level an RWA-add-on in view of the calculation of risk-weighted assets for credit risk in Banca Comercială Română (BCR). Since the ECB decision in respect of the change in the IRB roll-out plan from 25 May 2020 the RWA add on amounts to EUR 2.1 billion. This RWA increase front-loads the expected difference in BCR between the treatments of exposures under the Standardised Approach compared to the treatment under IRB and is limited in time until the authorization of the IRB-approach in BCR.

Furthermore Erste Group reports on consolidated level since the third quarter 2017 – due to a decision of the European Central Bank in the context of its supervisory assessments in view of deficiencies in credit risk models for specialized lending – a RWA-Add-On of currently around EUR 1.3 billion until these deficiencies will be addressed in the course of an update of these models.

In February 2021, Erste Group received the approval from ECB to implement a material model change to its rating model used for its Financial Institutions portfolio, which led to a decrease in RWA in the first quarter 2021 of approx. EUR 0.3 billion.

Following the application from February 2019, Erste Group received on 26 May 2021 the ECB's final decision on the material model change related to the LGD model. The final decision requires the implementation of specific RWA add-ons with the go-live of the new model, which was considered starting with the second quarter of 2021. The implementation of the new model resulted thus in an increase of over EUR 2 billion in RWA on consolidated level.

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 0.6 billion 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 0.1 billion as of December 2019.

The risk item other exposure amounts to EUR 2.7 billion as of 31 December 2021 and encompasses the BCR add-on (EUR 2.1 billion) and the new group-wide PD estimation methodology (EUR 0.6 billion). All other credit risk related add-ons are directly reflected in the RWA calculation for credit risk.

In order to mitigate the ramifications of the Covid-19 pandemic further, certain adjustments to the CRR and CRR 2 became effective on 27 June 2020 through EU Regulation No. 2020/873. The temporary treatment of a 0% risk weight on public debt issued in the EEA currency of another EU member state lead to an additional RWA relief in the amount of EUR -0.9 billion for the exposure in standardized approach and EUR -1.3 billion under the IRB treatment, respectively. The temporary treatment of 0% risk weight is valid until 31 December 2022. The temporary relief can be seen in the table 'Risk structure' below as the difference between the sub-tables 'phased- in' and 'final'.

On 15 March 2021 the ECB granted permission to revert to the use of the Standardised Approach for the exposures of Erste Group Bank AG classified as Specialised Lending Object Finance. The implementation of this change was performed in the second quarter of 2021 and resulted in an insignificant RWA reduction of approx. EUR 0.02 billion.

Following the finalization of the horizontal analysis of the ECB, a new decision complementing the initial TRIM (Targeted Review of Internal Models) Market risk decision from October 2018 was issued in February 2021. This follow-up decision required the implementation of multiplier factors, which led to an immaterial increase of the RWAs for market risk of approx. EUR 0.2 billion per 31 March 2021.

The AMA-model related add-on, which was implemented in the fourth quarter of 2018, has been removed after the respective confirmation from the regulator. This led to a RWA reduction of approximately EUR 0.7 billion on Erste Group's consolidated level in the first quarter 2021.

On 21 June 2021 the ECB granted permission to implement a material model change to the model used for the housing associations portfolio of Česká spořitelna, a.s. and Stavební spořitelna České spořitelny, a.s. Although the ECB decision contains two limitations, which impose an add-on to be added to the PD estimates of the model, the implementation of this model change led to a slight decrease in RWA of approx. EUR 0.17 billion.

Based on two applications submitted in 2019, the ECB granted permission to Slovenská sporiteľňa, a.s. for the step-back to Standardised Approach for the housing associations portfolio and approved to implement a material model change to the model used for small and medium enterprises. Both changes were implemented with a RWA increase of approx. EUR 0.23 billion in the fourth quarter 2021.

Based on the application submitted in September 2021 an approval was granted by the ECB on 7 December 2021 regarding the exclusion of Structural Foreign Exchange (FX) positions from the calculation of the net open currency positions (Art. 352 (2) CRR). The implementation will be done in the first quarter of 2022 and is expected to lead to a net effect with a significant RWA increase.

Risk structure

in EUR million	Dec 20		Dec 21	
	Total risk (phased-in)	Capital requirement (phased-in)	Total risk (phased-in)	Capital requirement (phased-in)
Total Risk Exposure Amount	118,005	9,440	127,448	10,196
Risk weighted assets (credit risk)	95,923	7,674	105,869	8,470
Standardised approach	18,056	1,444	18,869	1,510
IRB approach	77,852	6,228	86,994	6,959
Contribution to the default fund of a CCP	15	1	7	1
Settlement Risk	1	0	0	0
Trading book, foreign FX risk and commodity risk	3,630	290	3,671	294
Operational Risk	14,813	1,185	14,786	1,183
Exposure for CVA	397	32	390	31
Other exposure amounts (incl. Basel 1 floor)	3,241	259	2,730	218

in EUR million	Dec 20		Dec 21	
	Total risk (final)	Capital requirement (final)	Total risk (final)	Capital requirement (final)
Total Risk Exposure Amount	120,151	9,612	129,647	10,372
Risk weighted assets (credit risk)	98,069	7,846	108,068	8,645
Standardised approach	18,065	1,445	19,809	1,585
IRB approach	79,988	6,399	88,252	7,060
Contribution to the default fund of a CCP	15	1	7	1
Settlement Risk	1	0	0	0
Trading book, foreign FX risk and commodity risk	3,630	290	3,671	294
Operational Risk	14,813	1,185	14,786	1,183
Exposure for CVA	397	32	390	31
Other exposure amounts (incl. Basel 1 floor)	3,241	259	2,730	218

34. Credit risk

Credit risk arises in Erste Group's traditional lending and investment businesses. It involves both credit losses incurred as a result of borrowers' default (Stage 3) and credit losses expected if default occurs either within 1 year (Stage 1) or at any time until maturity (Stage 2).

Stage 1 credit losses apply to non-defaulted credit risk exposures without significant increase in credit risk (SICR) since inception, whilst Stage 2 credit losses apply to non-defaulted credit risk exposures for which SICR is observed at the reporting date. It also involves credit losses due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk and related macro-economic forward-looking information is also considered in the calculation of credit risk.

Operative credit decisions are made by the credit risk management units in each of the banking subsidiaries locally and by Corporate Risk Management at group level.

In contrast to large corporates, banks and governments, managing credit risk in retail and SME involves dealing with a large number of relatively small exposures extended to private individuals, free professionals, entrepreneurs, or micro and small companies. Credit risk related to retail and SME loan portfolios is managed at group and at local entity level with a common interest in order to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities and supported by underlying profitability.

The central database used for credit risk management is the Business Intelligence data warehouse (BI-DWH). All data relevant to credit risk management, performance management, and determination of risk-weighted assets and regulatory capital requirements is regularly loaded into this database. Relevant subsidiaries not yet integrated into the Group data pool regularly deliver reporting packages.

The Group Risk Reporting, Planning and Risk Cost Management department uses the BI-DWH in particular for centralised credit risk reporting. This ensures centralised analysis and application of ratios according to unified methods and segmentation across Erste Group as a whole. Credit risk reporting comprises regular reports on Erste Group's credit portfolio for external and internal recipients and permits continuous monitoring of credit risk developments, thus enabling management to take control measures. In-house recipients of these reports

include, above all, the supervisory and management boards of Erste Group Bank AG as well as the risk managers, business unit directors and internal audit staff.

Internal rating system

Erste Group has business and risk strategies in place that govern policies for lending and credit approval processes. These policies are reviewed at a minimum on an annual basis and adjusted if necessary. They cover the entire lending business, considering the nature, scope and risk level of the transactions and the counterparties involved. Credit approval considers individual information on the creditworthiness of the customer, the type of credit, collateral, covenant package and other risk mitigation factors involved.

The assessment of credit default risk within Erste Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, Erste Group assigns an internal rating, which is a unique measure of the credit default risk. The internal rating of each customer is updated event-specific, however, at least once a year (annual rating review). Ratings of workout customers are reviewed with a higher frequency.

The main purpose of the internal ratings is to support the decision-making for lending and for the terms of credit facilities. Internal ratings also determine the level of credit approval authority within Erste Group and the monitoring procedures for existing exposures. At a quantitative level, internal ratings influence the level of required risk pricing, loss allowances and, where applicable, risk-weighted assets under Pillar 1 and 2.

For entities of Erste Group that use the internal ratings-based (IRB) approach, internal ratings are key input for the risk-weighted assets calculation. They are also used in the group's assessment of the economic capital requirements according to Pillar 2. For these purposes, a distinct PD value is assigned to each rating grade for its IRB portfolios within a calibration process that is performed individually for each rating method and each regional portfolio. PD values reflect a 12-month probability of default based on long-term average default rates per rating grade. The bank assigns margins of conservatism to the calculated PDs.

Internal ratings take into account all available significant information for the assessment of credit default risk. For non-retail borrowers, internal ratings take into account the financial strength of the counterparty, the possibility of external support, flexibility in corporate financing, general company information and external credit history information, where available. For retail clients, internal ratings are based mainly on payment behaviour versus the bank and, where applicable, credit bureau information, supplemented with information provided by the respective client and general demographic information. Rating ceiling rules on credit quality are applied based on membership in a group of economically related entities and the country of main economic activity (applicable to cross-border financing facilities).

Internal specialist teams develop and continuously improve internal rating models and risk parameters in cooperation with risk managers. All Pillar 1 and 2, as well as IFRS9 models are subject of an annual review of their estimates, considering the inclusion of most recent data in the estimation of risk parameters, as well as a regular cycle of full model review. Model development follows an internal group-wide methodological standard and utilises relevant data covering the respective market. In this way, Erste Group ensures the availability of rating models with the best possible prediction and discriminatory ability across its core regions.

The central Model Validation department is responsible for defining the validation methodologies and standards to be applied to all credit risk models within Erste Group as well as for conducting the validation activities across the whole Erste Group. All Pillar 1, material Pillar 2 and IFRS9 models are subject to an annual validation, while for non-material ones a regular validation cycle is implemented. Model Validation employs qualitative as well as quantitative validation methods to challenge conceptual soundness, performance and model use aspects. The validation outcomes are approved by the respective model committees and, in case of IRB models, shared with the regulatory bodies. In addition to the validation process, the group applies a regular monitoring process on the performance of IRB models, reflecting developments in new defaults and early delinquencies.

Approvals of all new models, model changes, changes to risk parameters within the group, changes in group-wide methodological standards and other model-related aspects are following a dual approval process within the Group – corresponding Holding and local model committee structures reflect joint responsibilities for decisions on Pillar 1 IRB and Pillar 2 credit risk models as well as on methodologies related to IFRS9 parameters. Responsibilities are assigned depending on model perimeter (group-wide or locally developed model). In this context, the following committees are established: Strategic Risk Executive Committee and Strategic Risk Management Committee (for more details see 'Group coordination of risk management activities' chapter).

Ultimate responsibility for all models used within the Group (at consolidated level) lies with the Group CRO. All model governance, development, validation, data management and monitoring activities are coordinated by the Credit Risk Methods division.

Credit risk classification

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

Low risk. Typically, regional customers with well-established and rather long-standing relationships with Erste Group or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective

market in which the customers operate. Retail clients having long relationships with the bank, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

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

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

Non-performing. One or more of the default criteria under Article 178 of the CRR are met, which include full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. Erste Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. All non-performing exposures are also defaulted.

Based on the calibration of internal PDs (probabilities of default) for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating is used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series are applied.

Credit risk review and monitoring

Retail Risk Management as well as Credit Risk Portfolio in cooperation with Corporate Risk Management conduct periodical reviews of the loan portfolio for each local entity to ensure an adequate portfolio quality and to monitor the compliance of local portfolios with the principles and parameters as stipulated by Erste Group's credit risk policies.

All credit limits and the transactions booked within the limits are reviewed at least once a year. Counterparty credit risk limits are monitored daily in an internal limit management system with remedial actions taken in case limits are exceeded.

A group-wide standardised early warning monitoring process is implemented to proactively identify negative developments. The early warning monitoring process for corporate clients is managed at group level by Credit Risk Portfolio and, at subsidiary level, by the local units responsible for corporate risk management, retail risk management and collections, for respective segments. When early warning signals are identified and validated, the overall client exposure and creditworthiness is reviewed, and adequate risk mitigating actions are taken if deemed necessary. Watch list review meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures. For smaller enterprises (micro) and retail customers, the monitoring and credit review are based on an automated early warning system. In retail risk management, the early warning signals for adverse portfolio developments include, for instance, quality deterioration in new business or a decreasing collections effectiveness and require appropriate countermeasures. Additionally, the monitoring is performed for clients where early warning signals have been identified, even if they are still fulfilling their contractual repayment obligations.

Adverse portfolio developments regarding the non-performing and substandard loans portfolio of Erste Group are monitored, discussed and reported. In case of further negative developments clients are handled in specialized workout units aiming to minimize potential losses.

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 exposures (primarily financial guarantees and undrawn loan commitments).

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:

- _ credit loss allowances for financial assets;
- _ credit loss allowances for loan commitments and financial guarantees;
- _ provisions for other commitments;
- _ any collateral held (including risk transfer to guarantors);

- _ netting effects;
- _ other credit enhancements;
- _ credit risk mitigating transactions.

Between the 31 December 2020 and 31 December 2021, the credit risk exposure increased from EUR 286,699 million to EUR 312,439 million. This is an increase of 9.0% or EUR 25,740 million.

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

in EUR million	Credit risk exposure	Credit loss allowances	Adjustments	Net carrying amount
Dec 21				
Cash and cash balances - demand deposits to credit institutions	1,033	-1	0	1,033
Debt instruments held for trading	6,389	0	0	6,389
Non-trading debt instruments at FVPL	2,793	0	0	2,793
Debt securities	1,975	0	0	1,975
Loans and advances to banks	10	0	0	10
Loans and advances to customers	808	0	0	808
Debt instruments at FVOCI	8,655	-23	94	8,749
Debt securities	8,655	-23	94	8,749
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	233,402	-3,761	0	229,641
Debt securities	35,565	-15	0	35,551
Loans and advances to banks	20,998	-6	0	20,991
Loans and advances to customers	176,839	-3,740	0	173,099
Trade and other receivables	2,239	-87	0	2,152
Finance lease receivables	4,319	-111	0	4,209
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	79	0	0	79
Off-balance sheet exposures	53,529	-544	0	-
Total	312,439	-4,527	94	255,044
Dec 20				
Cash and cash balances - demand deposits to credit institutions	1,140	-1	0	1,139
Debt instruments held for trading	6,322	0	0	6,322
Non-trading debt instruments at FVPL	2,736	0	0	2,736
Debt securities	2,048	0	0	2,048
Loans and advances to banks	0	0	0	0
Loans and advances to customers	687	0	0	687
Debt instruments at FVOCI	8,109	-25	280	8,389
Debt securities	8,109	-25	280	8,389
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	214,790	-3,850	0	210,940
Debt securities	29,594	-15	0	29,579
Loans and advances to banks	21,469	-3	0	21,466
Loans and advances to customers	163,727	-3,831	0	159,895
Trade and other receivables	1,405	-64	0	1,341
Finance lease receivables	4,235	-108	0	4,127
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	205	0	0	205
Off-balance sheet exposures	47,758	-474	0	-
Total	286,699	-4,522	280	235,199

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

Breakdown of credit risk exposure

On the following pages the credit risk exposure is presented according to different segmentation criteria.

Credit risk exposure by counterparty sector and financial instrument

in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost					Debt instruments held for sale in disposal groups	Positive fair value of hedge accounting derivatives	Off-balance sheet exposures	Total
					Debt securities	Loans and advances to banks	Loans and advances to customers	Trade and other receivables	Finance lease receivables				
Dec 21													
Central banks	0	39	0	6	37	16,429	0	1	0	0	0	0	16,511
General governments	0	3,287	198	6,585	29,867	0	7,091	107	285	0	0	2,661	50,081
Credit institutions	1,033	2,500	561	867	4,707	4,569	0	25	3	0	78	942	15,286
Other financial corporations	0	207	1,076	256	176	0	4,209	31	84	0	1	2,800	8,841
Non-financial corporations	0	350	221	941	778	0	76,950	1,949	3,088	0	0	33,278	117,556
Households	0	6	737	0	0	0	88,589	126	859	0	0	13,848	104,165
Total	1,033	6,389	2,793	8,655	35,565	20,998	176,839	2,239	4,319	0	79	53,529	312,439
Dec 20													
Central banks	0	38	0	42	35	16,763	0	1	0	0	0	0	16,878
General governments	0	2,806	278	5,961	25,206	0	6,791	55	374	0	0	3,154	44,625
Credit institutions	1,140	2,914	625	944	3,510	4,707	0	29	4	0	204	852	14,928
Other financial corporations	0	146	999	205	146	0	3,727	28	73	0	1	2,235	7,560
Non-financial corporations	0	418	254	957	698	0	71,324	1,162	2,974	0	0	29,595	107,381
Households	0	1	579	0	0	0	81,885	130	810	0	0	11,922	95,327
Total	1,140	6,322	2,736	8,109	29,594	21,469	163,727	1,405	4,235	0	205	47,758	286,699

Contingent liabilities / Off-balance sheet exposures by product

in EUR million	Dec 20	Dec 21
Financial guarantees	6,426	6,796
Loan commitments	35,650	40,593
Other commitments	5,682	6,141
Total	47,758	53,529

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 21					
Agriculture and forestry	2,317	944	221	134	3,616
Mining	644	75	10	21	750
Manufacturing	17,211	2,763	644	687	21,306
Energy and water supply	4,525	850	96	48	5,519
Construction	10,455	2,780	316	306	13,856
Development of building projects	5,356	1,218	60	79	6,713
Trade	12,550	2,628	479	456	16,112
Transport and communication	6,880	1,473	299	182	8,834
Hotels and restaurants	3,341	1,673	404	332	5,750
Financial and insurance services	39,654	1,406	168	87	41,316
Holding companies	3,911	433	66	42	4,452
Real estate and housing	29,170	5,277	880	347	35,674
Services	13,962	1,904	362	418	16,646
Public administration	47,115	621	173	1	47,909
Education, health and art	3,108	629	105	61	3,903
Households	82,492	4,725	1,974	1,546	90,736
Other	410	34	67	0	511
Total	273,833	27,781	6,199	4,626	312,439
Dec 20					
Agriculture and forestry	2,080	830	253	125	3,289
Mining	742	63	4	23	832
Manufacturing	15,950	2,966	676	634	20,226
Energy and water supply	3,940	655	233	64	4,893
Construction	9,594	2,284	435	331	12,645
Development of building projects	4,909	976	94	69	6,048
Trade	10,754	2,702	575	513	14,544
Transport and communication	6,555	1,368	189	202	8,313
Hotels and restaurants	3,618	1,442	294	343	5,697
Financial and insurance services	37,653	1,557	364	37	39,611
Holding companies	2,415	693	73	16	3,197
Real estate and housing	26,262	4,982	1,344	377	32,965
Services	12,086	1,719	375	495	14,675
Public administration	41,937	387	46	1	42,370
Education, health and art	2,877	620	77	103	3,677
Households	74,640	4,507	1,662	1,593	82,403
Other	352	3	203	0	558
Total	249,041	26,086	6,731	4,841	286,699

With 87.6%, the low risk exposure has the highest share in total credit risk exposure, while management attention represents 8.9%. The substandard exposure contributes 2.0% and the non-performing category 1.5%.

From industry and financial instrument point of view, the highest exposure is represented by households in loans and advances to customers with EUR 77,446 million (2020: EUR 71,093 million), representing 24.8% (2020: 24.8%) from total exposure, followed by real estate and housing in loans and advances to customers with an exposure of EUR 30,447 million (2020: EUR 28,338 million) representing 9.7% (2020: 9.9%) from total and public administration in debt securities with an exposure of EUR 29,641 million (2020: EUR 25,013 million) representing 9.5% (2020: 8.7%) from total.

Credit risk exposure by region and risk category

The geographic analysis of credit risk exposure is based on the country of risk of borrowers and counterparties. It 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 operating segments of Erste Group.

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 21					
Core markets	238,499	24,809	5,538	4,049	272,894
Austria	112,060	11,775	1,674	1,866	127,375
Czech Republic	62,361	4,528	1,131	736	68,756
Slovakia	22,793	1,721	1,085	308	25,906
Romania	18,097	1,846	334	428	20,705
Hungary	12,972	1,272	617	204	15,065
Croatia	7,180	3,268	600	466	11,514
Serbia	3,035	400	97	41	3,574
Other EU	22,884	1,444	305	329	24,962
Other industrialised countries	6,973	394	42	68	7,477
Emerging markets	5,477	1,134	314	180	7,105
Southeastern Europe/CIS	3,021	806	186	139	4,152
Asia	1,999	97	30	29	2,155
Latin America	158	15	5	11	189
Middle East/Africa	299	215	93	2	609
Total	273,833	27,781	6,199	4,626	312,439
Dec 20					
Core markets	216,858	23,219	5,981	4,163	250,221
Austria	104,551	10,786	1,839	1,826	119,002
Czech Republic	52,874	6,075	1,194	642	60,784
Slovakia	20,738	1,487	1,594	409	24,229
Romania	17,217	1,837	397	455	19,905
Hungary	10,394	1,147	539	181	12,262
Croatia	8,446	1,513	305	622	10,885
Serbia	2,637	376	114	27	3,154
Other EU	20,704	1,153	311	463	22,631
Other industrialised countries	6,855	662	89	66	7,671
Emerging markets	4,624	1,053	350	149	6,175
Southeastern Europe/CIS	2,771	650	119	120	3,660
Asia	1,450	124	26	27	1,626
Latin America	138	12	8	1	159
Middle East/Africa	265	268	197	1	730
Total	249,041	26,086	6,731	4,841	286,699

Credit risk exposure by region and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 21							
Core markets	226,304	32,447	3,839	349	262,938	9,956	272,894
Austria	103,493	18,810	1,831	42	124,176	3,199	127,375
Czech Republic	61,074	5,411	679	41	67,206	1,550	68,756
Slovakia	22,553	2,347	299	113	25,312	595	25,906
Romania	16,133	2,628	388	57	19,206	1,499	20,705
Hungary	11,202	1,283	163	66	12,714	2,351	15,065
Croatia	8,996	1,684	440	28	11,148	366	11,514
Serbia	2,853	283	38	2	3,177	397	3,574
Other EU	18,699	2,879	290	11	21,879	3,083	24,962
Other industrialised countries	5,391	848	47	11	6,297	1,180	7,477
Emerging markets	4,890	855	178	1	5,924	1,181	7,105
Southeastern Europe/CIS	3,020	516	137	1	3,675	477	4,152
Asia	1,273	168	29	0	1,470	685	2,155
Latin America	156	19	9	0	184	5	189
Middle East/Africa	442	152	2	0	595	14	609
Total	255,284	37,029	4,352	373	297,038	15,400	312,439
Dec 20							
Core markets	203,419	33,645	3,897	351	241,312	8,909	250,221
Austria	92,710	20,412	1,778	37	114,938	4,064	119,002
Czech Republic	54,645	4,789	614	34	60,082	702	60,784
Slovakia	20,270	3,006	319	111	23,706	523	24,229
Romania	15,069	2,711	406	69	18,254	1,652	19,905
Hungary	9,600	1,100	152	77	10,929	1,333	12,262
Croatia	8,654	1,331	604	22	10,611	274	10,885
Serbia	2,470	296	24	2	2,793	361	3,154
Other EU	15,697	3,078	371	55	19,201	3,431	22,631
Other industrialised countries	4,784	1,112	66	12	5,972	1,698	7,671
Emerging markets	4,301	821	146	1	5,269	907	6,175
Southeastern Europe/CIS	2,639	578	119	1	3,336	324	3,660
Asia	932	124	27	0	1,083	544	1,626
Latin America	82	67	0	0	149	10	159
Middle East/Africa	648	52	1	0	701	29	730
Total	228,200	38,655	4,480	419	271,754	14,945	286,699

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

The defaulted part of POCI amounted to EUR 167 million (2020: EUR 274 million), the non-defaulted part to EUR 206 million (2020: EUR 145 million).

The credit risk exposure increased by EUR 8,373 million, or 7.0% in Austria, and by EUR 14,300 million, or 10.9% in the CEE core markets. In the other EU member states (EU 27 excluding core markets), the credit risk exposure increased by EUR 2,331 million, or 10.3%, while in the emerging markets the registered increase was EUR 930 million or 15.1%. Slight decrease was recorded in other industrialised countries (EUR -194 million, or -2.5%). In total, Erste Group's core markets and the EU accounted for 95.3% (2020: 95.2%) of credit risk exposure. At 2.3% (2020: 2.2%), the share of emerging markets remained of minor importance.

Credit risk exposure by reporting segment and risk category

The reporting of operating segments of Erste Group conforms to the internal management and control structure and is based on geographical segments in order to provide more comprehensive information the segmental reporting also comprises business segments.

Credit risk exposure by geographical operating segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 21					
Austria	145,492	14,367	2,142	2,426	164,428
EBOe & Subs.	44,404	3,646	558	602	49,210
Savings Banks	63,498	9,009	1,215	1,387	75,109
Other Austria	37,589	1,712	370	438	40,109
CEE	120,294	13,369	4,056	2,183	139,901
Czech Republic	64,315	4,884	1,230	767	71,197
Slovakia	19,538	1,607	1,097	297	22,539
Romania	16,352	1,729	334	458	18,872
Hungary	10,287	1,139	612	200	12,238
Croatia	7,402	3,627	687	421	12,139
Serbia	2,399	382	96	40	2,917
Other	8,048	45	0	17	8,110
Total	273,833	27,781	6,199	4,626	312,439
Dec 20					
Austria	135,415	13,923	2,200	2,533	154,072
EBOe & Subs.	41,761	3,512	566	615	46,455
Savings Banks	60,446	8,111	1,221	1,470	71,249
Other Austria	33,208	2,299	413	448	36,368
CEE	106,783	12,115	4,289	2,291	125,478
Czech Republic	53,910	6,034	1,405	684	62,033
Slovakia	17,707	1,439	1,455	411	21,012
Romania	15,361	1,737	396	481	17,975
Hungary	8,834	1,007	539	160	10,539
Croatia	8,907	1,535	380	529	11,351
Serbia	2,064	364	114	26	2,568
Other	6,842	48	242	17	7,149
Total	249,041	26,086	6,731	4,841	286,699

Credit risk exposure by geographical operating segment and IFRS 9 treatment

in EUR million	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 21												
Austria	127,109	24,314	2,360	55	10,590	-221	-663	-1,007	-1	2.7%	42.7%	1.7%
EBOe & Subs.	40,962	7,070	597	6	574	-48	-157	-218	0	2.2%	36.5%	0.2%
Savings Banks	59,909	11,496	1,355	48	2,300	-135	-349	-595	-1	3.0%	43.9%	1.9%
Other Austria	26,238	5,748	408	0	7,715	-38	-157	-194	0	2.7%	47.5%	0.0%
CEE	120,208	12,699	1,975	318	4,700	-327	-823	-1,288	-99	6.5%	65.2%	31.1%
Czech Republic	63,519	5,610	697	52	1,318	-118	-288	-435	-20	5.1%	62.3%	38.0%
Slovakia	19,402	2,130	291	113	602	-49	-119	-167	-33	5.6%	57.3%	29.4%
Romania	14,675	2,337	396	57	1,407	-69	-220	-304	-14	9.4%	76.7%	23.7%
Hungary	10,069	928	159	66	1,016	-24	-65	-86	-17	7.0%	54.5%	25.9%
Croatia	10,156	1,535	395	28	24	-55	-118	-273	-15	7.7%	69.0%	52.8%
Serbia	2,387	159	37	2	332	-13	-13	-24	0	8.2%	64.7%	21.4%
Other	7,966	16	17	0	111	-2	0	-16	0	0.3%	91.9%	0.0%
Total	255,284	37,029	4,352	373	15,400	-550	-1,486	-2,311	-100	4.0%	53.1%	26.7%
Dec 20												
Austria	114,235	26,033	2,452	72	11,278	-183	-685	-1,081	-4	2.6%	44.1%	5.4%
EBOe & Subs.	37,174	7,633	603	6	1,038	-41	-152	-233	0	2.0%	38.7%	0.1%
Savings Banks	53,972	12,669	1,431	50	3,126	-119	-371	-636	-4	2.9%	44.4%	7.8%
Other Austria	23,089	5,731	418	17	7,114	-23	-162	-212	0	2.8%	50.7%	0.0%
CEE	107,204	12,351	2,011	347	3,565	-280	-737	-1,333	-123	6.0%	66.3%	35.6%
Czech Republic	56,144	4,793	642	47	408	-100	-252	-429	-22	5.2%	66.9%	46.0%
Slovakia	17,413	2,709	302	130	459	-35	-140	-175	-58	5.2%	58.1%	44.4%
Romania	13,775	2,430	403	69	1,298	-53	-183	-299	-17	7.5%	74.2%	25.3%
Hungary	8,307	919	130	77	1,106	-22	-64	-79	-16	7.0%	60.8%	21.1%
Croatia	9,468	1,317	511	22	33	-57	-86	-332	-10	6.5%	65.1%	43.6%
Serbia	2,098	183	24	2	262	-12	-13	-18	-1	7.3%	78.6%	35.5%
Other	6,760	271	17	0	101	-1	-1	-16	0	0.5%	93.7%	0.0%
Total	228,200	38,655	4,480	419	14,945	-464	-1,424	-2,430	-127	3.7%	54.2%	30.4%

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 21					
Retail	67,049	5,674	2,458	1,507	76,689
Corporates	75,274	12,318	2,359	1,693	91,644
Group Markets	18,398	392	23	2	18,815
ALM & LCC	49,356	359	144	19	49,878
Savings Banks	63,498	9,009	1,215	1,387	75,109
GCC	258	29	0	17	304
Total	273,833	27,781	6,199	4,626	312,439
Dec 20					
Retail	60,580	5,596	2,143	1,514	69,833
Corporates	66,644	11,727	2,747	1,819	82,936
Group Markets	16,522	384	224	1	17,131
ALM & LCC	44,527	223	155	20	44,925
Savings Banks	60,446	8,111	1,221	1,470	71,249
GCC	320	46	242	17	625
Total	249,041	26,086	6,731	4,841	286,699

Credit risk exposure by business segment and IFRS 9 treatment

in EUR million	Credit risk exposure					Credit loss allowances				NPE coverage ratio			
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI	
Dec 21													
Retail	65,736	8,584	1,458	105	806	-175	-515	-839	-28	6.0%	57.5%	27.0%	
Corporates	68,263	16,615	1,501	220	5,045	-207	-613	-841	-71	3.7%	56.1%	32.1%	
Group Markets	11,738	206	2	0	6,868	-17	-3	-1	0	1.6%	49.5%	0.0%	
ALM & LCC	49,443	126	19	0	290	-15	-5	-19	0	4.2%	99.7%	0.0%	
Savings Banks	59,909	11,496	1,355	48	2,300	-135	-349	-595	-1	3.0%	43.9%	1.9%	
GCC	195	2	17	0	90	-1	0	-16	0	1.9%	91.9%	0.0%	
Total	255,284	37,029	4,352	373	15,400	-550	-1,486	-2,311	-100	4.0%	53.1%	26.7%	
Dec 20													
Retail	59,028	8,461	1,461	118	763	-141	-478	-859	-34	5.6%	58.8%	29.0%	
Corporates	60,296	16,931	1,551	251	3,907	-182	-560	-901	-89	3.3%	58.1%	35.5%	
Group Markets	10,273	116	1	0	6,741	-6	-3	0	0	2.5%	6.2%	100.0%	
ALM & LCC	44,273	308	19	0	326	-16	-12	-19	0	3.8%	102.0%	0.0%	
Savings Banks	53,972	12,669	1,431	50	3,126	-119	-371	-636	-4	2.9%	44.4%	7.8%	
GCC	357	169	17	0	82	0	0	-16	0	0.1%	93.7%	0.0%	
Total	228,200	38,655	4,480	419	14,945	-464	-1,424	-2,430	-127	3.7%	54.2%	30.4%	

Non-performing credit risk exposure and credit loss allowances

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection 'Credit risk classification'. Credit risk allowances include credit loss allowances for financial assets, credit loss allowances for loan commitments and financial guarantees (all allowances within the scope of IFRS 9) and provisions for other commitments.

Credit loss allowances (all stages combined) covered 98.4% (2020: 93.5%) of the reported non-performing on-balance and off-balance credit risk exposure. For the portion of the non-performing credit risk exposure that is not covered by allowances, Erste Group assumes there are sufficient levels of collateral and expected other recoveries.

During 2021, the non-performing credit risk exposure decreased by EUR -215 million, or -4.4%, while the credit loss allowances for loans and advances together with credit loss allowances for loan commitments and financial guarantees remained at the same level. This development resulted in a moderate increase of 4.9 percentage points in the coverage of non-performing credit risk exposure by credit risk allowances.

The following tables show the coverage of the non-performing credit risk exposure by credit loss allowances (without taking into consideration collateral) as of 31 December 2021 and 31 December 2020. The differences in the credit allowance levels between the reporting segments result from the risk situation in the respective markets, different levels of collateralisation as well as the local legal environment and regulatory requirements.

The non-performing exposure ratio (NPE ratio) is calculated as the non-performing credit risk exposure divided by total credit risk exposure while the NPE coverage ratio is computed as total credit loss allowances (all allowances within the scope of IFRS 9) divided by non-performing credit risk exposure at AC and FVOCI. Collateral is not taken into account in the NPE coverage ratio.

Non-performing credit risk exposure by geographical operating segment and coverage by credit loss allowances and collateral

in EUR million	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage ratio	NPE collateralisation ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
Dec 21												
Austria	2,426	2,391	164,428	153,838	-1,891	1,259	1,258	1.5%	1.6%	79.1%	51.9%	52.6%
EBOe & Subs.	602	600	49,210	48,635	-422	349	349	1.2%	1.2%	70.4%	58.1%	58.2%
Savings Banks	1,387	1,383	75,109	72,809	-1,080	747	746	1.8%	1.9%	78.1%	53.8%	54.0%
Other Austria	438	408	40,109	32,394	-389	163	162	1.1%	1.3%	95.3%	37.2%	39.7%
CEE	2,183	2,112	139,901	135,201	-2,538	818	812	1.6%	1.6%	120.2%	37.5%	38.5%
Czech Republic	767	745	71,197	69,878	-860	220	220	1.1%	1.1%	115.5%	28.6%	29.5%
Slovakia	297	297	22,539	21,936	-368	152	152	1.3%	1.4%	124.1%	51.2%	51.2%
Romania	458	419	18,872	17,465	-606	141	141	2.4%	2.4%	144.8%	30.8%	33.7%
Hungary	200	191	12,238	11,222	-192	110	104	1.6%	1.7%	100.4%	55.0%	54.4%
Croatia	421	421	12,139	12,114	-461	186	186	3.5%	3.5%	109.3%	44.2%	44.2%
Serbia	40	39	2,917	2,586	-50	9	9	1.4%	1.5%	128.6%	23.0%	23.3%
Other	17	14	8,110	7,999	-18	8	6	0.2%	0.2%	122.7%	48.4%	38.6%
Total	4,626	4,517	312,439	297,038	-4,446	2,085	2,075	1.5%	1.5%	98.4%	45.1%	45.9%
Dec 20												
Austria	2,533	2,500	154,072	142,793	-1,953	1,209	1,207	1.6%	1.8%	78.1%	47.7%	48.3%
EBOe & Subs.	615	606	46,455	45,417	-426	326	326	1.3%	1.3%	70.3%	53.1%	53.8%
Savings Banks	1,470	1,459	71,249	68,122	-1,130	751	748	2.1%	2.1%	77.4%	51.1%	51.3%
Other Austria	448	434	36,368	29,254	-397	132	132	1.2%	1.5%	91.4%	29.6%	30.4%
CEE	2,291	2,238	125,478	121,913	-2,474	802	801	1.8%	1.8%	110.5%	35.0%	35.8%
Czech Republic	684	682	62,033	61,625	-803	181	181	1.1%	1.1%	117.6%	26.5%	26.6%
Slovakia	411	411	21,012	20,553	-408	145	145	2.0%	2.0%	99.3%	35.3%	35.3%
Romania	481	436	17,975	16,677	-552	162	162	2.7%	2.6%	126.7%	33.8%	37.2%
Hungary	160	156	10,539	9,433	-182	93	93	1.5%	1.7%	116.6%	58.4%	59.4%
Croatia	529	528	11,351	11,318	-485	216	216	4.7%	4.7%	91.8%	40.9%	40.9%
Serbia	26	25	2,568	2,307	-44	4	4	1.0%	1.1%	174.0%	14.0%	14.2%
Other	17	15	7,149	7,048	-18	8	6	0.2%	0.2%	126.6%	47.3%	39.4%
Total	4,841	4,753	286,699	271,754	-4,446	2,019	2,013	1.7%	1.7%	93.5%	41.7%	42.4%

Non-performing credit risk exposure by business segment and coverage by credit loss allowances and collateral

in EUR million	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage ratio	NPE collateralisation ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
Dec 21												
Retail	1,507	1,501	76,689	75,882	-1,557	616	610	2.0%	2.0%	103.7%	40.9%	40.6%
Corporates	1,693	1,598	91,644	86,598	-1,732	712	711	1.8%	1.8%	108.4%	42.1%	44.5%
Group Markets	2	2	18,815	11,947	-22	2	2	0.0%	0.0%	>500.0%	88.2%	88.4%
ALM & LCC	19	19	49,878	49,588	-40	0	0	0.0%	0.0%	207.5%	0.0%	0.0%
Savings Banks	1,387	1,383	75,109	72,809	-1,080	747	746	1.8%	1.9%	78.1%	53.8%	54.0%
GCC	17	14	304	214	-17	8	6	5.6%	6.7%	116.9%	48.4%	38.6%
Total	4,626	4,517	312,439	297,038	-4,446	2,085	2,075	1.5%	1.5%	98.4%	45.1%	45.9%
Dec 20												
Retail	1,514	1,513	69,833	69,070	-1,512	602	602	2.2%	2.2%	99.9%	39.8%	39.8%
Corporates	1,819	1,746	82,936	79,030	-1,731	658	657	2.2%	2.2%	99.2%	36.2%	37.7%
Group Markets	1	1	17,131	10,390	-9	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	20	19	44,925	44,599	-47	0	0	0.0%	0.0%	249.7%	0.4%	0.4%
Savings Banks	1,470	1,459	71,249	68,122	-1,130	751	748	2.1%	2.1%	77.4%	51.1%	51.3%
GCC	17	15	625	543	-16	8	6	2.7%	2.7%	111.4%	47.3%	39.4%
Total	4,841	4,753	286,699	271,754	-4,446	2,019	2,013	1.7%	1.7%	93.5%	41.7%	42.4%

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, and not credit-impaired financial instruments if a PD curve valid at initial recognition was missing at the time of the implementation of IFRS 9 according to IFRS 9.7.2.20. 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 allow-

ance 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 (SICR) 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).

Erste Group methodology allows introduction of the cure periods for migrations back to stage 1 from stage 2 in addition to those already established in general credit risk practices (forbearance, watch lists, default). They are rarely applied, only in specific countries for specific criteria without significant effect on the overall expected credit loss or stage 2.

Quantitative criteria. Quantitative SICR indicators include adverse changes in lifetime probability of default with significance being assessed by comparison to the 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. SICR occurs for a particular financial instrument, when both the relative and the absolute thresholds are breached.

The relative measure is calculated as a ratio between current annualised LT PD and annualised LT PD value on initial recognition, considering remaining maturity of the instrument. Cumulative LT PD comparison can be used for simplification according to Erste Group methodology; however, such approach is rarely used. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to initial and on-going validation.

Relative thresholds for SICR assessment by geographical operating segment

	Threshold interval (x times)	
	Min	Max
Dec 21		
Austria	1.13	2.37
EBOe & Subs.	1.13	2.37
Savings Banks	1.13	2.37
Other Austria	1.13	2.37
CEE	1.03	4.08
Czech Republic	1.13	3.59
Slovakia	1.13	4.08
Romania	1.13	3.37
Hungary	1.13	3.21
Croatia	1.13	3.13
Serbia	1.03	3.47
Total	1.03	4.08
Dec 20		
Austria	1.13	2.37
EBOe & Subs.	1.13	2.37
Savings Banks	1.13	2.37
Other Austria	1.13	2.37
CEE	1.03	4.08
Czech Republic	1.13	3.59
Slovakia	1.13	4.08
Romania	1.13	3.37
Hungary	1.13	3.21
Croatia	1.13	3.13
Serbia	1.03	3.47
Total	1.03	4.08

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

There are certain portfolios where SICR quantitative criteria are assessed based on the ratings rather than PDs. Predefined rating notches' downgrade leads to SICR recognition. These rules are applied primarily to leasing and factoring business receivables.

Erste Group has not significantly recalibrated relative thresholds since IFRS9 implementation. They are kept stable as one of the most significant estimates in ECL measurement. Validation finding or significant change of PD models would lead to thresholds' recalibration. There were re-estimations only for individual entities and portfolios.

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

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. Erste Group has introduced additional portfolio level SICR assessment criteria due to Covid-19 pandemic and related economic impacts. Please see Covid-19 disclosures in the next chapter.

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

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

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

As of 31 December 2021, low credit risk exemption is applied only to debt securities in the Czech subsidiary (Česká spořitelna) and sovereign exposures in the Romanian subsidiary (Banca Comercială Română). In Česká spořitelna, the corresponding exposure amounted to EUR 14.2 billion (2020: EUR 10.5 billion) with PDs interval of 0.01%-0.3%. In Banca Comercială Română, the respective exposure amounted to EUR 5.1 billion (2020: EUR 4.5 billion) with PD 0.1%.

Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

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

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

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

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

- PD represents the likelihood of a borrower defaulting on its financial obligation (per definition of default below), either over next 12 months (1Y PD) for Stage 1 exposures or over the remaining lifetime (LT PD) for Stage 2 and 3 and POCI exposures.

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

Life-time parameters

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

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

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

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

Incorporation of forward-looking information

Parameters are determined to reflect the risk as a 'point-in-time' measure and with consideration of forward-looking information (FLI). This results in using a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. The alternative scenarios are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts. 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 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. The bank is disclosing sensitivity of the staging and ECL on macro scenarios in the Covid-19 section below.

Following factors, materializing at the end of 2021 led us to assign 40% probability of occurrence to baseline forecast that could not fully reflect them:

- _ new variant (omicron),
- _ increasing inflation through-the region with potential effect on the increasing interest rates and
- _ unstable development of the geo-political situation – conflict Ukraine/Russia – that can as well effect energy prices.

The specific situation of the Covid-19 pandemic and extensive supporting measures led to delayed observation of the defaults. Erste Group addressed it with the lagging of the macroeconomic variables in credit risk parameters. Therefore, variables of 2020 and 2021 were included as additional predictors for future values of credit risk parameters.

Baseline, upside and downside scenarios of GDP growth by geographic region

	Scenario	Probability weights			GDP growth in %		
		2021-2023	2020	2021	2022	2023	
Dec 21							
Austria	Upside	1%	-6.2	5.9	6.1	3.8	
	Baseline	40%	-6.2	4.4	4.6	2.3	
	Downside	59%	-6.2	-1.7	2.0	0.1	
Czech Republic	Upside	11%	-5.8	4.1	5.7	6.4	
	Baseline	40%	-5.8	2.4	4.0	4.7	
	Downside	49%	-5.8	-2.3	0.5	1.8	
Slovakia	Upside	17%	-4.8	4.9	6.1	5.6	
	Baseline	40%	-4.8	3.0	4.2	3.7	
	Downside	43%	-4.8	-2.5	-0.0	0.8	
Romania	Upside	14%	-3.7	9.0	6.6	7.6	
	Baseline	40%	-3.7	6.4	4.0	5.0	
	Downside	46%	-3.7	-1.7	-0.5	2.0	
Hungary	Upside	6%	-5.0	7.8	5.8	5.6	
	Baseline	40%	-5.0	6.7	4.7	4.5	
	Downside	54%	-5.0	0.1	1.3	2.3	
Croatia	Upside	4%	-8.0	12.4	10.8	9.9	
	Baseline	40%	-8.0	8.7	4.8	4.5	
	Downside	56%	-8.0	-1.0	-1.2	1.0	
Serbia	Upside	9%	-1.0	8.6	6.1	6.1	
	Baseline	40%	-1.0	7.0	4.5	4.5	
	Downside	51%	-1.0	0.4	1.1	2.5	
Dec 20							
Austria	Upside	1%	-7.6	5.0	3.9	3.3	
	Baseline	40%	-7.6	3.4	2.3	1.7	
	Downside	59%	-7.6	-2.1	1.0	-0.1	
Czech Republic	Upside	4%	-7.7	5.5	7.3	6.4	
	Baseline	40%	-7.7	3.9	5.7	4.8	
	Downside	56%	-7.7	-1.7	1.2	1.7	
Slovakia	Upside	25%	-7.1	8.2	6.7	6.4	
	Baseline	35%	-7.1	6.0	4.5	4.2	
	Downside	40%	-7.1	-1.2	-0.0	0.9	
Romania	Upside	18%	-5.9	5.3	7.1	7.3	
	Baseline	40%	-5.9	2.7	4.5	4.7	
	Downside	42%	-5.9	-3.6	-0.2	1.9	
Hungary	Upside	6%	-6.4	5.1	6.6	5.2	
	Baseline	40%	-6.4	3.9	5.4	4.0	
	Downside	54%	-6.4	-1.3	1.6	2.0	
Croatia	Upside	8%	-9.9	8.2	9.0	9.1	
	Baseline	40%	-9.9	5.2	3.6	4.0	
	Downside	52%	-9.9	-2.5	-1.4	0.9	
Serbia	Upside	15%	-1.3	6.3	5.3	5.8	
	Baseline	40%	-1.3	5.0	4.0	4.5	
	Downside	45%	-1.3	-0.5	0.9	2.6	

Variables of crisis year 2020 have the same values across all three scenarios. Values of 2021 will be updated during next year in line with statistical office publication, similarly as 2020 values got updated during 2021.

In order to reflect on the higher volatility of macro-economic variables estimates and significantly higher downward risk of macro-economic recovery due to current developments of the Covid-19 pandemics and other risk factors the probability of occurrence of a conservative downside scenario was given a relatively high weight.

Erste Group recognizes additional challenges caused by the ESG (environmental, social and governance) risks. The bank is in the process of analyses how these risks can be incorporated into ECL measurement. In the Risk Materiality Assessment, climate and environment-related risks are overall assessed as medium and therefore classified as material, but they are expected to generate more impact on credit risk in the medium to long run. Therefore, in the short-term Erste Group did not include additional overlays for ESG risks for year-end 2021 in our calculations of ECL.

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. Especially in light of the vaccination progress, restricting measures were step by step reduced and economic development gained again momentum. The medium and long-term effect on the asset quality of the banking sector has still to be seen.

Effect on customers

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

The measures differed from country to country as they had to be based on the legislative steps taken by the respective governments. Nevertheless, Erste Group gave a guidance to the entities in respect of underwriting, reporting and classification processes. Whereas overall valid state-moratoria were applied only in some countries, as e.g. in Hungary and Serbia, other measures like short-term deferrals or financial support schemes with public or state guarantees were offered in all countries. In addition to programmes with standard parameters that were defined at a very early stage of the crisis and should support an efficient processing, also individual solutions were agreed with clients that did not meet all predefined requirements. In the meantime, significant majority of the (governmental) support measures expired without resulting in a severe negative effect on the portfolio quality.

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

in EUR million	Loans and advances subject to EBA-compliant moratoria	Other loans and advances subject to Covid-19-related forbearance measures	Newly originated loans and advances subject to public guarantee schemes in the context of the Covid-19 crisis
Dec 21			
Agriculture and forestry	-	5	72
Mining	-	-	8
Manufacturing	0	13	798
Energy and water supply	-	0	25
Construction	0	4	159
Trade	0	5	637
Transport and communication	4	17	353
Hotels and restaurants	0	82	188
Financial and insurance services	-	-	0
Real estate and housing	2	61	20
Services	1	10	200
Public administration	0	0	0
Education, health and art	0	2	43
Total	8	199	2,502
Dec 20			
Agriculture and forestry	54	1	31
Mining	0	-	5
Manufacturing	274	15	514
Energy and water supply	9	-	19
Construction	45	12	125
Trade	116	22	416
Transport and communication	96	4	235
Hotels and restaurants	497	17	164
Financial and insurance services	17	-	0
Real estate and housing	369	63	14
Services	90	1	181
Public administration	0	-	-
Education, health and art	17	18	35
Total	1,583	155	1,739

Loans and advances of non-financial corporations to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to EUR 2.7 billion. Manufacturing, trade, followed by transport and communication and services accounted for the highest volumes. 92% of this amount referred to newly originated loans and advances subject to public guarantee schemes, with a usual maturity between two and five years. Government support programs in the form of state and institutional guarantees were at the beginning strongly used in Austria. In 2021 also the CEE-countries used such programmes to a significantly higher extent, which led to a significant increase of the outstanding amount as of 31 December 2021.

Loans and advances of households to which the measures applied in the response to Covid-19 were granted and are currently valid (have not been expired), amounted to EUR 388 million.

Besides measures disclosed in the table above, as a direct response to Covid-19 crisis additional measures that do not meet the forbearance criteria were approved amounting to EUR 3.2 billion.

Effect on business

In March 2020, risk management and business divisions started a joint initiative aiming to quickly provide a harmonised guidance for a focused industry approach within Erste Group, reflecting the changed economic environment. Industries and sub-industries were categorised

into critical, high, medium or low risk according to the expected impacts from Covid-19 based on a combination of research material, feedback collected from client meetings and single name analyses, both centrally as well as in the entities.

Main driver for assigning an industry classification was the assessment of impacts of the crisis on the specific (sub)industry. The classifications are regularly reviewed on a 12-month rolling forecast basis to take current developments into account. In 2021, the economic development and the ability of many industries to adapt to new conditions resulted in some upgrades into lower risk categories. However, Erste Group keeps cautious view on the several, mostly affected industries (mainly hotels and leisure, air transportation). In light of this, the respective business and risk strategies for the (sub)industries were also adapted accordingly. This approach was aligned with all affected entities and business lines and approved by the respective governance bodies of Erste Group.

In the course of the year 2021, challenges on top of Covid-19-impacts had to be addressed by corporate clients: a rally in energy prices on the one hand and disruptions in supply chains on the other hand. The first ones had implications on various industries, mainly those with energy intensive production processes, but also impacting segments with high fuel cost shares. Issues with supply chains are managed by affected clients with diverse measures aiming to safeguard the business activity and liquidity (amongst others: active working capital management, targeted stocking-up, output adaptation, renegotiations with off takers etc.), in some cases also by ensuring backup/liquidity financing. Developments as mentioned above are reflected in the regular updates of the industry heatmap and the industry strategies.

Exposures in particular industries that belong to critical or high-risk sub-industries are referred to as significant risk in the following tables.

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

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
Dec 21								
Agriculture and forestry	2,936	532	130	6	3,603	13	3,616	-113
of which significant risk	8	3	0	-	11	0	11	-
Mining	465	43	14	3	525	226	750	-20
of which significant risk	0	-	-	-	0	-	0	-
Manufacturing	15,771	3,426	641	39	19,877	1,428	21,306	-575
of which significant risk	516	478	66	3	1,064	39	1,103	-43
Energy and water supply	4,570	691	44	3	5,309	210	5,519	-97
of which significant risk	0	1	0	-	1	0	1	-
Construction	10,278	1,629	254	9	12,171	1,685	13,856	-300
of which significant risk	4	12	1	-	17	0	17	-1
Trade	11,983	2,518	436	26	14,962	1,151	16,112	-416
of which significant risk	702	517	100	6	1,325	41	1,366	-66
Transport and communication	6,372	1,976	168	15	8,531	303	8,834	-200
of which significant risk	126	782	14	8	929	15	944	-37
Hotels and restaurants	1,157	4,236	315	32	5,741	8	5,750	-302
of which significant risk	1,082	4,178	303	32	5,595	8	5,603	-291
Financial and insurance services	35,048	1,219	65	11	36,343	4,973	41,316	-115
Real estate and housing	29,444	5,588	328	109	35,469	205	35,674	-411
of which significant risk	121	390	22	2	535	1	537	-20
Services	10,564	4,774	401	13	15,752	893	16,646	-373
of which significant risk	1,086	3,373	178	5	4,642	73	4,715	-169
Public administration	43,211	1,228	1	2	44,443	3,467	47,909	-52
Education, health and art	2,845	973	57	0	3,875	28	3,903	-67
of which significant risk	332	551	21	0	904	23	927	-31
Private households	80,203	8,188	1,499	103	89,993	743	90,736	-1,484
Other	437	6	0	0	444	67	511	-2
Total	255,284	37,029	4,352	373	297,038	15,400	312,439	-4,527

Dec 20								
Agriculture and forestry	2,550	593	122	5	3,270	19	3,289	-101
of which significant risk	6	8	0	-	14	0	14	-0
Mining	544	64	16	2	626	207	832	-20
of which significant risk	382	10	8	2	401	199	601	-13
Manufacturing	13,658	4,914	585	46	19,202	1,023	20,226	-587
of which significant risk	3,838	3,264	268	22	7,392	434	7,826	-278
Energy and water supply	4,054	577	56	8	4,695	198	4,893	-97
of which significant risk	0	3	-	-	3	0	3	-0
Construction	9,330	1,789	279	16	11,414	1,231	12,645	-320
of which significant risk	23	13	4	0	40	2	43	-3
Trade	9,251	3,758	472	44	13,525	1,019	14,544	-441
of which significant risk	2,169	2,244	193	10	4,617	213	4,830	-172
Transport and communication	5,759	1,993	196	4	7,952	361	8,313	-182
of which significant risk	977	1,192	29	1	2,199	60	2,259	-48
Hotels and restaurants	1,281	3,977	331	29	5,618	79	5,697	-271
of which significant risk	1,225	3,933	312	29	5,500	73	5,573	-255
Financial and insurance services	32,797	1,714	30	12	34,551	5,060	39,611	-110
Real estate and housing	25,893	5,824	262	129	32,108	857	32,965	-390
of which significant risk	242	340	17	0	599	4	603	-21
Services	9,461	3,976	488	5	13,930	745	14,675	-426
of which significant risk	2,395	2,688	341	5	5,430	173	5,603	-263
Public administration	38,571	560	1	3	39,135	3,235	42,370	-25
Education, health and art	2,604	932	102	1	3,638	38	3,677	-99
of which significant risk	280	465	60	0	806	8	814	-58
Private households	71,994	7,967	1,541	116	81,619	784	82,403	-1,452
Other	452	19	0	0	471	88	558	-1
Total	228,200	38,655	4,480	419	271,754	14,945	286,699	-4,522

Effect on Expected Credit Loss

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

Erste Group has reassessed credit risk parameters based on the latest macro-scenarios within FLI in December 2021. Specifics of the Covid pandemics (support measures) led us to lag the macroeconomic variables, due to delayed increase in default rates. Late materialization of the baseline forecast risks in the end of 2021 led us to keep probability of occurrence of baseline scenario on 40%. GDP scenarios and weights are shown in the table displayed within Incorporation of forward-looking information section above. The effect of the FLI in the ECL calculation as of 31 December 2021 amounted to EUR 550 million, similarly as at the end of 2020 (EUR 527 million). The increase of EUR 433 million in comparison with EUR 117 million as of 31 December 2019 can be directly attributed to the Covid-19 situation.

Erste Group has additionally addressed expected SICR by introducing Covid-19 portfolio overlays. The portfolio was divided in private individuals (PIs) and non-private individuals (non-PIs) and assessed the customers by considering any Covid-19 related relief measure granted (even if expired) as well as the internal industry heat-map and corresponding customer-specific one-year IFRS PD levels. Based on this assessment and individual reviews, customers were migrated to stage 2, i.e. lifetime ECL measure. The industry heat map and the portfolio overlays are subject to regular reviews. The effect of Covid-19 portfolio overlays in the ECL calculation as of 31 December 2021 amounted to EUR 184 million (2020: EUR 245 million). Majority of the overlays for PIs were released at the end of 2021. They were mainly driven by moratoria that expired at the beginning of 2021. Erste Group concluded that sufficient time has passed to capture potential negative developments via regular behavioural scoring. Regions with active moratoria kept PI overlay (mainly Hungary). Decrease of the overlay can be additionally attributed to the moderate upgrades of the heatmap.

Erste Group expects a moderate increase in defaults and portfolio deterioration in 2022, especially after state support measures are lifted.

The analysis tables below present effects of the portfolio overlays and FLI macro overlays both on exposure migration to stage 2 and resulting increase of ECL. Additional sensitivities to the baseline, upside and downside scenarios are simulated. Effects on industry segments, high risk industry sub-segments and geographical segments are disclosed.

Scenario simulation presents sensitivity analyses taking into consideration only changes due to the different values of PDs, if baseline, upside or downside FLI scenarios had 100% weight. Sensitivities of these particular scenarios are calculated in comparison to current production - weighted scenarios FLI shifted - PDs (weights and scenarios are disclosed in the 'Incorporation of forward-looking information' section above). Both staging and resulting ECL were simulated with the scenario PDs.

FLI macro shift resulting from the Covid-19 induced macro situation is comparable in both exposure and ECL as of 31 December 2021 (EUR 5,203 million exposure, EUR 550 million ECL) and 31 December 2020 (EUR 5,884 million exposure and EUR 527 million ECL). Incorporation of 100% baseline scenario instead of probability weighted, would lead to a decrease of Stage 2 exposure by EUR 4,239 million (2020: EUR 1,867 million), resulting in an ECL drop by EUR 334 million (2020: EUR 97 million). The downside scenario would lead to additional EUR 4,612 million of exposure migration to Stage 2 (2020: EUR 1,590 million), resulting in ECL increase of EUR 315 million (2020: EUR 100.3 million). Erste Group kept three scenario approach for 2021 variables. The downside scenario of 2021 leads to a higher spread in 2021 in comparison with 2020.

Analysis additionally shows that out of a EUR 37,029 million (2020: EUR 38,655 million) exposure in Stage 2, EUR 10,726 million (2020: EUR 14,420 million) were migrated due to Covid-19 stage overlay, resulting in an increase of ECL of EUR 183.5 million (2020: EUR 245.1 million).

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

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

Impact on credit risk exposure by geographical operating segment

in EUR million	Current status - parameters (FLI shifted)					Simulations - difference to FLI shifts effect		
	Stage 1	Stage 2	Total	Stage 2 affected by		Upside scenario	Baseline scenario	Downside scenario
				Stage overlays due to Covid-19	FLI shifts			
Dec 21								
Austria	127,109	24,314	151,423	+8,179	+3,291	-4,734	-3,486	+3,382
EBOe & Subs.	40,962	7,070	48,032	+2,405	+654	-1,076	-712	+826
Savings Banks	59,909	11,496	71,405	+4,197	+1,333	-2,086	-1,467	+1,694
Other Austria	26,238	5,748	31,986	+1,577	+1,304	-1,572	-1,306	+862
CEE	120,208	12,699	132,908	+2,548	+1,912	-1,226	-753	+1,230
Czech Republic	63,519	5,610	69,129	+716	+872	-416	-323	+354
Slovakia	19,402	2,130	21,532	+823	+57	-277	-151	+414
Romania	14,675	2,337	17,012	+241	+851	-442	-214	+364
Hungary	10,069	928	10,997	+245	+76	-30	-16	+19
Croatia	10,156	1,535	11,691	+439	+29	-41	-33	+63
Serbia	2,387	159	2,546	+82	+26	-20	-16	+16
Other	7,966	16	7,982	+0	+0	+0	+0	+0
Total	255,284	37,029	292,313	+10,726	+5,203	-5,960	-4,239	+4,612
Dec 20								
Austria	114,235	26,033	140,269	+9,497	+4,520	-2,188	-1,537	+1,132
EBOe & Subs.	37,174	7,633	44,807	+2,635	+1,305	-731	-569	+269
Savings Banks	53,972	12,669	66,642	+5,007	+2,043	-912	-598	+509
Other Austria	23,089	5,731	28,820	+1,854	+1,172	-545	-370	+353
CEE	107,204	12,351	119,555	+4,923	+1,364	-688	-330	+458
Czech Republic	56,144	4,793	60,937	+1,576	+534	-305	-164	+164
Slovakia	17,413	2,709	20,122	+1,536	+103	-9	-5	+5
Romania	13,775	2,430	16,205	+793	+480	-315	-129	+248
Hungary	8,307	919	9,226	+468	+162	-21	-9	+8
Croatia	9,468	1,317	10,785	+456	+67	-31	-16	+15
Serbia	2,098	183	2,281	+94	+17	-8	-7	+18
Other	6,760	271	7,031	+0	+0	+0	+0	+0
Total	228,200	38,655	266,855	+14,420	+5,884	-2,876	-1,867	+1,590

Impact on credit loss allowances by geographical operating segment

in EUR million	Current status - parameters (FLI shifted)					Simulations - difference to FLI shifts effect		
	Stage 1	Stage 2	Total	out of which:		Upside scenario	Baseline scenario	Downside scenario
				Effect of stage overlays due to Covid-19	Effect of FLI shifts			
Dec 21								
Austria	-221	-663	-883	-97.1	-233.4	+361.2	+234.1	-189.0
EBOe & Subs.	-48	-157	-204	-29.7	-45.2	+76.3	+48.1	-39.0
Savings Banks	-135	-349	-484	-57.9	-112.2	+177.6	+114.0	-95.6
Other Austria	-38	-157	-195	-9.6	-75.9	+107.3	+71.9	-54.4
CEE	-327	-823	-1,151	-86.4	-316.7	+158.4	+99.4	-126.3
Czech Republic	-118	-288	-406	-18.0	-108.4	+22.3	+15.9	-19.3
Slovakia	-49	-119	-168	-16.2	-20.3	+35.5	+21.5	-30.3
Romania	-69	-220	-289	-11.1	-127.5	+55.7	+26.9	-47.7
Hungary	-24	-65	-88	-5.7	-30.1	+9.3	+4.9	-4.6
Croatia	-55	-118	-173	-31.8	-24.2	+31.3	+27.7	-21.7
Serbia	-13	-13	-26	-3.7	-6.1	+4.3	+2.5	-2.7
Other	-2	0	-2	+0.0	+0.0	+0.0	+0.0	+0.0
Total	-550	-1,486	-2,036	-183.5	-550.1	+519.6	+333.5	-315.3
Dec 20								
Austria	-183	-685	-868	-114.8	-270.9	+89.0	+58.7	-46.4
EBOe & Subs.	-41	-152	-193	-29.6	-56.9	+17.8	+12.2	-8.4
Savings Banks	-119	-371	-491	-66.5	-137.1	+37.4	+23.3	-21.1
Other Austria	-23	-162	-185	-18.6	-76.8	+33.8	+23.2	-17.0
CEE	-280	-737	-1,017	-130.3	-256.8	+67.2	+38.2	-53.9
Czech Republic	-100	-252	-352	-29.8	-97.2	+27.0	+18.4	-16.5
Slovakia	-35	-140	-175	-37.7	-15.8	+4.6	+2.6	-4.9
Romania	-53	-183	-235	-26.8	-68.3	+27.4	+12.7	-27.5
Hungary	-22	-64	-87	-12.6	-39.9	+1.9	+0.9	-0.8
Croatia	-57	-86	-143	-20.3	-29.8	+2.9	+1.6	-1.5
Serbia	-12	-13	-25	-3.1	-5.7	+3.3	+1.9	-2.8
Other	-1	-1	-3	+0.0	+0.0	+0.0	+0.0	+0.0
Total	-464	-1,424	-1,888	-245.1	-527.6	+156.2	+97.0	-100.3

Impact on credit risk exposure by industry

in EUR million	Current status - parameters (FLI shifted)					Simulations - difference to FLI shifts effect		
	Stage 1	Stage 2	Total	Stage 2 affected by		Upside scenario	Baseline scenario	Downside scenario
				Stage overlays due to Covid-19	FLI shifts			
Dec 21								
Agriculture and forestry	2,936	532	3,468	+109	+87	-49	-34	+39
of which significant risk	8	3	11	+2	+0	-0	-0	+3
Mining	465	43	508	+7	+12	-12	-11	+41
of which significant risk	0	-	0	+0	+0	+0	+0	+0
Manufacturing	15,771	3,426	19,197	+660	+797	-923	-625	+625
of which significant risk	516	478	994	+258	+16	-8	-3	+27
Energy and water supply	4,570	691	5,261	+10	+109	-112	-89	+90
of which significant risk	0	1	1	+0	+0	+0	+0	+0
Construction	10,278	1,629	11,907	+212	+626	-725	-562	+519
of which significant risk	4	12	16	+10	+0	-0	-0	+8
Trade	11,983	2,518	14,501	+688	+361	-390	-271	+342
of which significant risk	702	517	1,219	+450	+15	-26	-13	+40
Transport and communication	6,372	1,976	8,348	+566	+300	-356	-245	+148
of which significant risk	126	782	908	+496	+14	-17	-14	+28
Hotels and restaurants	1,157	4,236	5,394	+3,170	+25	-37	-23	+172
of which significant risk	1,082	4,178	5,259	+3,170	+25	-37	-23	+172
Financial and insurance services	35,048	1,219	36,267	+4	+307	-358	-329	+173
Real estate and housing	29,444	5,588	35,032	+1,748	+1,203	-1,570	-1,195	+1,458
of which significant risk	121	390	511	+277	+9	-112	-55	+297
Services	10,564	4,774	15,338	+2,739	+189	-215	-136	+178
of which significant risk	1,086	3,373	4,459	+2,707	+42	-17	-16	+105
Public administration	43,211	1,228	44,439	+8	+13	-10	-7	+14
Education, health and art	2,845	973	3,819	+602	+178	-203	-168	+168
of which significant risk	332	551	883	+347	+126	-147	-125	+146
Households	80,203	8,188	88,391	+204	+994	-1,001	-545	+644
Other	437	6	444	+0	+0	+0	+0	+0
Total	255,284	37,029	292,313	+10,726	+5,203	-5,960	-4,239	+4,612
Dec 20								
Agriculture and forestry	2,550	593	3,143	+146	+88	-21	-14	+13
of which significant risk	6	8	14	+0	+0	-0	-0	+0
Mining	544	64	608	+16	+9	-7	-4	+37
of which significant risk	382	10	392	+6	+0	+0	+0	+27
Manufacturing	13,658	4,914	18,572	+3,199	+1,020	-367	-265	+281
of which significant risk	3,838	3,264	7,102	+2,737	+236	-147	-116	+165
Energy and water supply	4,054	577	4,631	+7	+85	-51	-43	+16
of which significant risk	0	3	3	+0	+0	+0	+0	+0
Construction	9,330	1,789	11,119	+186	+849	-321	-228	+104
of which significant risk	23	13	36	+104	+0	+0	+0	+0
Trade	9,251	3,758	13,009	+1,861	+386	-110	-60	+126
of which significant risk	2,169	2,244	4,413	+1,601	+72	-17	-10	+66
Transport and communication	5,759	1,993	7,752	+1,179	+201	-127	-111	+75
of which significant risk	977	1,192	2,168	+989	+11	-6	-5	+18
Hotels and restaurants	1,281	3,977	5,258	+2,935	+101	-80	-29	+79
of which significant risk	1,225	3,933	5,158	+2,898	+101	-80	-29	+79
Financial and insurance services	32,797	1,714	34,510	+13	+137	-64	-56	+25
Real estate and housing	25,893	5,824	31,717	+1,416	+1,715	-960	-624	+425
of which significant risk	242	340	582	+240	+6	-0	-0	+7
Services	9,461	3,976	13,437	+1,916	+173	-34	-11	+43
of which significant risk	2,395	2,688	5,083	+1,891	+93	-14	-2	+36
Public administration	38,571	560	39,131	+1	+254	-173	-172	+3
Education, health and art	2,604	932	3,536	+573	+118	-110	-58	+66
of which significant risk	280	465	746	+336	+8	-6	-6	+5
Households	71,994	7,967	79,961	+971	+746	-450	-192	+290
Other	452	19	471	+0	+1	-1	-0	+8
Total	228,200	38,655	266,855	+14,420	+5,884	-2,876	-1,867	+1,590

Impact on credit loss allowances by industry

in EUR million	Current status - parameters (FLI shifted)			Simulations - compared to effect of FLI		
	All stages	out of which:		Upside scenario	Baseline scenario	Downside scenario
		Effect of stage overlays due to Covid-19	Effect of FLI shifts			
Dec 21						
Agriculture and forestry	-113	-4.0	-14.6	+7.4	+4.5	-4.7
of which significant risk	-	-0.1	-0.1	+0.1	+0.0	-0.3
Mining	-20	-0.1	-0.9	+0.8	+0.5	-1.2
of which significant risk	-	+0.0	+0.0	-0.0	-0.0	-0.0
Manufacturing	-575	-12.8	-84.8	+90.3	+56.6	-52.8
of which significant risk	-43	-4.7	-5.8	+5.4	+3.3	-2.8
Energy and water supply	-97	-0.4	-15.4	+18.0	+12.2	-12.9
of which significant risk	-	+0.0	+0.0	+0.0	+0.0	+0.0
Construction	-300	-2.3	-41.6	+44.1	+29.0	-27.3
of which significant risk	-1	-0.1	-0.8	+1.1	+0.7	-0.5
Trade	-416	-10.8	-45.8	+43.9	+28.3	-24.9
of which significant risk	-66	-5.7	-5.4	+5.7	+3.5	-3.1
Transport and communication	-200	-13.0	-34.6	+37.3	+23.4	-17.3
of which significant risk	-37	-11.3	-7.2	+9.0	+5.6	-4.4
Hotels and restaurants	-302	-68.6	-24.6	+31.7	+20.7	-19.4
of which significant risk	-291	-68.6	-24.6	+31.7	+20.7	-19.4
Financial and insurance services	-115	-0.1	-22.2	+28.3	+21.6	-12.9
Real estate and housing	-411	-28.1	-57.8	+78.4	+51.2	-52.0
of which significant risk	-20	-4.5	-6.1	+14.1	+8.9	-11.2
Services	-373	-25.5	-22.1	+26.3	+16.1	-12.9
of which significant risk	-169	-24.9	-10.1	+13.3	+8.5	-7.0
Public administration	-52	-0.3	-2.7	+2.1	+1.6	-1.1
Education, health and art	-67	-8.0	-13.6	+15.1	+10.9	-9.4
of which significant risk	-31	-4.6	-7.6	+8.5	+6.4	-5.8
Households	-1,484	-9.4	-169.2	+95.8	+56.8	-66.4
Other	-2	+0.0	-0.2	+0.2	+0.2	-0.1
Total	-4,527	-183.5	-550.1	+519.6	+333.5	-315.3
Dec 20						
Agriculture and forestry	-101	-3.0	-20.3	+4.3	+2.7	-2.2
of which significant risk	0	-0.0	-0.1	+0.1	+0.1	-0.1
Mining	-20	-0.2	-0.7	+0.2	+0.1	-0.8
of which significant risk	-13	-0.0	-0.2	+0.0	+0.0	-0.6
Manufacturing	-587	-38.6	-86.1	+27.3	+18.5	-15.9
of which significant risk	-278	-30.7	-34.0	+10.8	+7.9	-6.9
Energy and water supply	-97	-0.2	-13.6	+4.0	+2.9	-2.1
of which significant risk	0	+0.0	+0.0	+0.0	+0.0	+0.0
Construction	-320	-2.8	-42.0	+10.2	+6.7	-4.9
of which significant risk	-3	-0.4	-0.6	+0.0	+0.0	-0.0
Trade	-441	-21.1	-46.0	+10.4	+6.5	-6.4
of which significant risk	-172	-15.7	-16.6	+3.9	+2.5	-3.1
Transport and communication	-182	-20.0	-24.1	+9.0	+6.8	-4.9
of which significant risk	-48	-15.5	-6.2	+2.0	+1.3	-1.3
Hotels and restaurants	-271	-53.4	-25.5	+7.2	+4.3	-5.4
of which significant risk	-255	-52.7	-25.4	+7.2	+4.3	-5.4
Financial and insurance services	-110	-0.3	-14.3	+4.6	+3.2	-2.2
Real estate and housing	-390	-33.7	-70.1	+20.7	+14.5	-10.3
of which significant risk	-21	-5.7	-0.2	+0.2	+0.1	-0.3
Services	-426	-23.3	-22.3	+4.9	+2.9	-3.0
of which significant risk	-263	-22.9	-12.3	+3.0	+1.7	-1.9
Public administration	-25	-0.0	-3.0	+0.3	+0.2	-0.1
Education, health and art	-99	-11.3	-41.1	+13.3	+8.6	-7.3
of which significant risk	-58	-4.2	-4.6	+1.3	+1.0	-0.6
Households	-1,452	-37.2	-117.5	+39.4	+19.0	-34.5
Other	-1	-0.0	-1.1	+0.3	+0.1	-0.4
Total	-4,522	-245.1	-527.6	+156.2	+97.0	-100.3

Composition of credit loss allowances

in EUR million	Dec 20	Dec 21
Credit loss allowances	-4,047	-3,983
Credit loss allowances for loan commitments and financial guarantees	-399	-464
Provisions for other commitments	-76	-80
Total	-4,522	-4,527

Credit loss allowances are computed based on IFRS 9 requirements, while provisions for other commitments are subject to IAS 37.

Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Restructuring can be business restructuring (in the retail segment), commercial renegotiation (in the corporate segment), or forbearance (e.g. concession due to financial difficulties) in line with EBA requirements in both segments.

Restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potentially effective customer retention tool involving, for example, re-pricing or the offering of an additional loan or both in order to maintain the business relationship.

Forbearance

The definition of 'forbearance' is included in Regulation (EU) 2015/227. A restructuring is considered 'forbearance' if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- _ the customer was more than 30 days past due in the past 3 months;
- _ the customer would be 30 days past due or more without receiving forbearance;
- _ the customer is in default;
- _ the customer would default without receiving forbearance.

Additional criteria for non-retail segment:

- _ early warning signals for this customer identified;
- _ customer has deteriorated financial figures, which led to decline of the rating grade;
- _ customer has increased probability of default.

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:

- _ modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- _ there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- _ the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution;
- _ the contract modification involves total or partial cancellation of the debt by (partial) write-off;
- _ activation of embedded forbearance clause of the contract;
- _ any waiver of a material financial or non-financial covenant.

Forbearance can be initiated by the bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:

- _ performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance);
- _ non-performing forbearance (incl. defaulted forbearance; since 10/2019 the definition of non-performing status is aligned with default).

Forborne exposures are considered performing when:

- _ the exposure did not have non-performing status at the time the extension of or application for forbearance was approved;
- _ granting the forbearance has not led to classifying the exposure as non-performing/default.

Performing forbearance exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum two years:

- _ an additional forbearance measure is extended;
- _ the customer becomes more than 30 days past due on forbearance exposure and in the past the customer was in the non-performing forbearance category;
- _ the customer meets any of the default event criteria defined in the default definition;
- _ for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

The performing forbearance classification can be discontinued, and the account can become a non-forbearance account when all the following conditions are met:

- _ a minimum of two years has passed from the date of classifying the exposure as performing forbearance (probation period);
- _ under the forbearance payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid (significant repayment) at least during half of the probation period (in the case of retail customers);
- _ regular repayments in a significant amount during at least half of the probation period have been made (in the case of non-retail customers);
- _ significant repayment includes amount previously past-due (if any) or written-off (if no-past due amounts) for both segments retail and non-retail;
- _ none of the exposure of the customer is more than 30 days past due at the end of the probation period.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all the following conditions are met:

- _ one year has passed from the date of classifying the exposure as non-performing forbearance or from the latest of the following events:
 - _ the moment of extending the restructuring measure;
 - _ the end of the grace period included in the restructuring agreement;
 - _ the moment when the exposure has been classified as defaulted.
- _ the forbearance has not led the exposure to be classified as non-performing;
- _ the customer is not classified as defaulted according to the definition of default;
- _ retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
 - _ the customer has never been more than 30 days past due during the 12 months prior to the reclassification and there is no delinquent amount;
 - _ the customer has repaid the full past due amount or the written-off amount (if there was any).
- _ corporate customers: significant amount has been paid in regular repayments, analysis of financial development that leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the 12 months prior to the reclassification and there is no delinquent amount.

The largest part of the forbearance measures is set and monitored within the responsibility of the local workout units according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as qualitative trigger events in the SICR concept according to the internal regulations of Erste Group.

Default definition

Since October 2019 Erste Group has implemented the new definition of default, based on regulatory joint decision, in all entities to comply with the EBA 'Guidelines on the application of the definition of default under Art.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 impact of the modified default definition is immaterial.

Deviations to the group requirements are allowed only if are triggered by local regulatory requirements.

The definitions of non-performing and default are aligned within Erste Group.

The materiality of 90 days past due credit obligation is applied for on-balance exposure at client level and assessed daily against the group-wide defined materiality threshold (except the local regulator has defined different thresholds) for the:

- _ retail exposure: as an absolute limit on client level of 100 EUR and relative 1% on client level;
- _ non-retail exposure: as an absolute limit on client level of 500 EUR and relative 1% on client level.

Changes in the treatment of forbearance and default due to the Covid-19 pandemic are described in the previous chapter 'Covid-19'.

Credit risk exposure, forbearance exposure and credit loss allowances

in EUR million	Loans and advances	Debt securities	Other positions	Loan commitments	Total
Dec 21					
Gross exposure	205,213	46,195	20,437	40,593	312,439
thereof gross forborne exposure	3,786	0	0	119	3,904
Performing exposure	200,843	46,195	20,311	40,464	307,813
thereof performing forborne exposure	2,141	0	0	79	2,220
Credit loss allowances for performing exposure	-1,677	-38	-172	-214	-2,101
thereof credit loss allowances for performing forborne exposure	-100	0	0	-3	-103
Non-performing exposure	4,371	0	126	129	4,626
thereof non-performing forborne exposure	1,644	0	0	40	1,684
Credit loss allowances for non-performing exposure	-2,267	0	-89	-69	-2,426
thereof credit loss allowances for non-performing forborne exposure	-763	0	0	-28	-791
Dec 20					
Gross exposure	191,523	39,751	19,774	35,650	286,699
thereof gross forborne exposure	3,572	3	0	151	3,726
Performing exposure	186,989	39,747	19,608	35,514	281,858
thereof performing forborne exposure	2,324	0	0	83	2,407
Credit loss allowances for performing exposure	-1,554	-39	-158	-173	-1,923
thereof credit loss allowances for performing forborne exposure	-90	0	0	-3	-93
Non-performing exposure	4,534	4	166	137	4,841
thereof non-performing forborne exposure	1,248	3	0	68	1,319
Credit loss allowances for non-performing exposure	-2,452	-2	-97	-48	-2,598
thereof credit loss allowances for non-performing forborne exposure	-617	-1	0	-10	-629

Types of forbearance exposure

in EUR million	Gross forborne exposure	Modification in terms and conditions	Refinancing
Dec 21			
Loans and advances	3,786	3,519	267
Debt securities	0	0	0
Loan commitments	119	102	17
Total	3,904	3,620	284
Dec 20			
Loans and advances	3,572	3,335	237
Debt securities	3	3	0
Loan commitments	151	126	25
Total	3,726	3,464	262

Loans and advances also include lease, trade and other receivables.

Collateral

Recognition of credit collateral

Collateral Management is integrated in Underwriting Processes department of Credit Risk Portfolio division. The Group Collateral Management Policy Part 1 Credit Collateral defines, among other things, uniform valuation standards for credit collateral across the entire group. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.

All collateral types acceptable within the group are contained in the Group Collateral Catalogue. Locally permitted collateral is defined by the respective bank in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Group Collateral Catalogue broken down by collateral type and based on the internal work instructions in accordance with the individual supervisory requirements. Whether a type of collateral or a specific collateral asset is accepted for credit risk mitigation is decided by Enterprise-wide Risk Management after determining if the applicable regulatory requirements are met. Credit underwriting monitors adherence to the standard work processes stipulated for assigning the acceptable collateral assets to the categories available.

Main types of credit collateral

The following types of credit collateral are accepted:

- _ real estate: residential and commercial real estate;
- _ financial collateral: securities, cash deposits and life insurance policies;
- _ guarantees: given by sovereigns, public sector entities, financial institutes, companies and private individuals. All guarantors must have a minimum credit rating, which is reviewed annually;
- _ movables: equipment, investment goods, machinery and motor vehicles;
- _ claims and rights: trade account receivables, leasehold rights and shares in a company's capital.

Collateral valuation and management

Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined, and their IT-supported technical application is performed by Collateral Management at group level and by authorised staff in each country with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction.

Real estate valuation may only be performed by qualified valuers who are independent of the credit decision process. The valuation is to be made according to national, European or national standards and has to follow valuation methods defined by the bank. Internal guidelines define criteria of qualification and requirements of independence for the selection of valuers. A valuator may only perform two sequential valuations of the same asset, any further valuation has to result in the rotation of the valuator. For quality assurance purposes, real estate valuers and real estate valuations are supervised on an ongoing basis.

Impact of the energy efficiency, environmental impact of the object as well as significant physical risks (i.e. flood, windstorms, landslides) are to be assessed in the real estate collateral valuations. Information on energy efficiency and CO₂ emissions of the collateral assets are systematically collected and stored in the relevant systems.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on recoveries from realising collateral. The valuation discounts are adjusted regularly – at least once a year – to reflect the recoveries under consideration of foreseeable developments (like expected real estate price changes).

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons. Particularly real estate collateral assets in development, showing problems like significant cost or time overrun, as well as assets, collateralizing loans with lower credit quality, are monitored or revalued with higher frequencies.

Concentration risks resulting from credit risk mitigation techniques may affect a single customer, but also a portfolio defined by region, industry, or type of collateral. Erste Group is a retail bank, and, due to its customer structure and the markets in which it operates, it does not have any concentrations with respect to collateral from customers. All guarantee liabilities and loans of a corporate guarantee provider are taken into consideration in the credit application process in order to prevent possible concentrations. Guarantees provided by sovereigns, a public sector entity or financial institutions have to lie within the approved limit of the guarantor. Concerning other areas of a potentially detrimental correlation of risks, the collateral portfolios are analysed using statistical evaluations for, among other things, regional or industry-specific concentrations within the scope of portfolio monitoring. The response to those risks identified includes, above all, the adjustment of volume targets, setting of corresponding limits and modification of the staff's discretionary limits for lending.

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, residential real estate properties and transport vehicles are taken into Erste Group's possession. As of 31 December 2021, the carrying value of these assets obtained during the reporting period amounted to EUR 4 million (2020: EUR 15 million).

Treasury collateral

The department Trading Book Risk Management is responsible for treasury collateral. The Group Collateral Management Policy Part 2 defines, among other things, uniform valuation standards for treasury collateral across the entire group.

Under the framework of treasury collateral, netting agreements (international framework agreements for derivatives of the International Swap and Derivatives Association (ISDA), Austrian or German framework agreements, framework agreements for securities lending transactions and repurchase deals) as well as collateral agreements (e.g. ISDA Credit Support Annex) are used for reducing the credit risk from derivatives.

Netting agreements make it possible to net all amounts due or payable for each individual transaction under a framework agreement in the case of a credit default, with the result that only the net receivables vis-à-vis the business partner are of relevance for credit risk. Within the scope of these collateral agreements, the portfolio with the respective counterparty is revalued periodically, usually daily, and in case of insufficient coverage additional collateral is requested. The policy restrictions on collateral types ensure that collateral received predominantly consists of cash or securities of investment grade quality. In the case of securities used as collateral, an additional valuation discount (haircut) depending on credit quality and residual maturity is applied.

The following table compares the credit risk exposure broken down by financial instrument to the allocated collateral which corresponds to the accepted value after internal haircuts capped by the exposure amount.

Credit risk exposure by financial instrument and collateral

in EUR million	Total credit risk exposure	Collateralised by				Credit risk exposure net of collateral	IFRS 9 impairment relevant		
		Collateral total	Guarantees	Real estate	Other		Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
Dec 21									
Cash and cash balances - demand deposits to credit institutions	1,033	106	0	0	106	928	1,015	18	0
Debt instruments held for trading	6,389	97	96	1	0	6,292	0	0	0
Non-trading debt instruments at FVPL	2,793	796	614	174	8	1,996	0	0	0
Debt instruments at FVOCI	8,655	666	666	0	0	7,989	8,657	0	0
Debt instruments at AC	233,402	121,873	10,865	88,142	22,866	111,529	227,157	2,144	4,101
Debt securities	35,565	1,596	1,596	0	0	33,969	35,566	0	0
Loans and advances to banks	20,998	17,670	1,379	0	16,291	3,328	20,997	0	0
Loans and advances to customers	176,839	102,607	7,891	88,142	6,574	74,233	170,594	2,144	4,101
Trade and other receivables	2,239	75	61	1	13	2,165	1,532	622	82
Finance lease receivables	4,319	2,467	57	227	2,182	1,852	4,034	134	151
Debt instruments held for sale in disposal groups	0	0	0	0	0	0	0	0	0
Positive fair value of hedge accounting derivatives	79	0	0	0	0	79	0	0	0
Off-balance sheet exposures	53,529	6,567	191	3,518	2,857	46,963	47,178	27	185
thereof other commitments	6,141	976	2	139	834	5,165	0	0	0
Total	312,439	132,646	12,551	92,064	28,031	179,793	289,573	2,946	4,519
Dec 20									
Cash and cash balances - demand deposits to credit institutions	1,140	49	0	0	49	1,091	1,114	25	0
Debt instruments held for trading	6,322	1,203	205	1	997	5,119	0	0	0
Non-trading debt instruments at FVPL	2,736	630	448	174	8	2,106	0	0	0
Debt instruments at FVOCI	8,109	781	781	0	0	7,328	8,109	0	0
Debt instruments at AC	214,790	116,305	10,154	81,555	24,596	98,486	208,472	2,058	4,260
Debt securities	29,594	1,167	1,165	0	3	28,427	29,591	0	3
Loans and advances to banks	21,469	18,964	1,258	0	17,706	2,505	21,469	0	0
Loans and advances to customers	163,727	96,173	7,731	81,554	6,888	67,553	157,411	2,058	4,257
Trade and other receivables	1,405	20	2	1	16	1,385	881	463	61
Finance lease receivables	4,235	2,355	56	251	2,047	1,880	3,878	155	201
Debt instruments held for sale in disposal groups	0	0	0	0	0	0	0	0	0
Positive fair value of hedge accounting derivatives	205	59	0	0	59	146	0	0	0
Off-balance sheet exposures	47,758	6,061	1,700	2,991	1,370	41,697	41,808	36	232
thereof other commitments	5,682	843	304	103	436	4,839	0	0	0
Total	286,699	127,461	13,346	84,973	29,142	159,238	264,262	2,738	4,754

The collateral attributable to exposures that are credit-impaired at 31 December 2021 amounts to EUR 2,075 million (2020: EUR 2,013 million).

Loans and advances to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken down by different categories. Loans and advances to customers comprise:

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

The presentation is by gross carrying amount excluding loan loss allowances and collateral.

Loans and advances to customers by geographical operating segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 21					
Austria	92,988	11,371	1,826	2,286	108,472
EBOe & Subs.	33,266	3,074	501	568	37,409
Savings Banks	44,147	7,290	1,070	1,309	53,816
Other Austria	15,575	1,008	255	409	17,246
CEE	59,613	10,456	3,487	2,065	75,621
Czech Republic	28,806	3,854	1,078	722	34,459
Slovakia	13,647	1,353	941	295	16,236
Romania	8,340	1,172	292	400	10,204
Hungary	3,572	917	529	194	5,211
Croatia	3,830	2,816	553	415	7,614
Serbia	1,418	345	94	39	1,897
Other	43	23	0	17	84
Total	152,645	21,851	5,313	4,368	184,177
Dec 20					
Austria	86,658	10,610	1,708	2,401	101,376
EBOe & Subs.	31,623	2,928	504	578	35,634
Savings Banks	41,535	6,449	1,016	1,394	50,393
Other Austria	13,500	1,233	188	428	15,349
CEE	52,956	9,645	3,687	2,116	68,404
Czech Republic	22,899	4,771	1,275	651	29,597
Slovakia	12,481	1,227	1,216	364	15,289
Romania	7,317	1,231	349	419	9,316
Hungary	3,512	851	433	151	4,947
Croatia	5,465	1,237	303	506	7,511
Serbia	1,281	327	110	25	1,744
Other	46	20	158	17	240
Total	139,660	20,275	5,552	4,534	170,020

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 21					
Retail	57,845	5,036	2,285	1,489	66,655
Corporates	49,866	9,466	1,859	1,549	62,740
Group Markets	698	8	3	0	709
ALM & LCC	60	41	96	4	201
Savings Banks	44,147	7,290	1,070	1,309	53,816
GCC	28	10	0	17	55
Total	152,645	21,851	5,313	4,368	184,177
Dec 20					
Retail	52,511	5,013	2,007	1,495	61,025
Corporates	44,961	8,735	2,247	1,624	57,567
Group Markets	565	10	1	1	577
ALM & LCC	65	50	124	4	243
Savings Banks	41,535	6,449	1,016	1,394	50,393
GCC	23	17	158	17	215
Total	139,660	20,275	5,552	4,534	170,020

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

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

in EUR million	Non-performing		Customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Dec 21												
Austria	2,286	2,256	108,472	108,400	-1,568	1,233	1,232	2.1%	2.1%	69.5%	53.9%	54.6%
EBOe & Subs.	568	568	37,409	37,400	-353	344	344	1.5%	1.5%	62.0%	60.5%	60.5%
Savings Banks	1,309	1,309	53,816	53,809	-918	726	726	2.4%	2.4%	70.2%	55.5%	55.5%
Other Austria	409	379	17,246	17,191	-297	163	162	2.4%	2.2%	78.2%	39.8%	42.7%
CEE	2,065	2,059	75,621	74,888	-2,352	802	796	2.7%	2.7%	114.2%	38.8%	38.7%
Czech Republic	722	722	34,459	34,459	-804	213	213	2.1%	2.1%	111.3%	29.5%	29.5%
Slovakia	295	295	16,236	16,236	-342	152	152	1.8%	1.8%	115.9%	51.4%	51.4%
Romania	400	400	10,204	10,204	-553	137	137	3.9%	3.9%	138.2%	34.4%	34.4%
Hungary	194	188	5,211	4,477	-179	107	102	3.7%	4.2%	95.4%	55.4%	54.1%
Croatia	415	415	7,614	7,614	-426	184	184	5.5%	5.5%	102.5%	44.2%	44.2%
Serbia	39	39	1,897	1,897	-49	9	9	2.1%	2.1%	124.4%	23.4%	23.4%
Other	17	14	84	81	-17	8	6	20.4%	17.6%	116.1%	48.4%	38.6%
Total	4,368	4,330	184,177	183,369	-3,936	2,043	2,034	2.4%	2.4%	90.9%	46.8%	47.0%
Dec 20												
Austria	2,401	2,388	101,376	101,267	-1,670	1,182	1,179	2.4%	2.4%	69.9%	49.2%	49.4%
EBOe & Subs.	578	578	35,634	35,622	-367	318	318	1.6%	1.6%	63.4%	54.9%	54.9%
Savings Banks	1,394	1,391	50,393	50,383	-976	732	729	2.8%	2.8%	70.2%	52.5%	52.4%
Other Austria	428	419	15,349	15,262	-327	132	132	2.8%	2.7%	78.1%	30.9%	31.5%
CEE	2,116	2,115	68,404	67,829	-2,317	780	779	3.1%	3.1%	109.5%	36.9%	36.8%
Czech Republic	651	651	29,597	29,596	-750	178	178	2.2%	2.2%	115.1%	27.3%	27.3%
Slovakia	364	364	15,289	15,289	-391	145	145	2.4%	2.4%	107.4%	39.8%	39.8%
Romania	419	418	9,316	9,316	-512	154	154	4.5%	4.5%	122.5%	36.7%	36.7%
Hungary	151	150	4,947	4,374	-167	90	89	3.0%	3.4%	111.4%	59.8%	59.6%
Croatia	506	506	7,511	7,511	-454	210	210	6.7%	6.7%	89.7%	41.5%	41.5%
Serbia	25	25	1,744	1,744	-43	4	4	1.5%	1.5%	168.2%	14.1%	14.1%
Other	17	15	240	237	-16	8	6	7.0%	6.1%	111.4%	47.3%	39.4%
Total	4,534	4,518	170,020	169,333	-4,002	1,970	1,964	2.7%	2.7%	88.6%	43.5%	43.5%

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

The NPL ratio of loans and advances to customers is calculated by dividing the gross carrying amount of non-performing loans and advances to customers by the total gross carrying amount of loans and advances to customers. Consequently, it differs from the NPE ratio in section 'Credit risk exposure'. Collaterals for non-performing loans mainly consist of real estates.

The NPL coverage ratio is calculated by dividing total loss allowances by the gross carrying amount of the non-performing loans and advances to customers. Collateral is not considered.

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

in EUR million	Non-performing		Customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Dec 21												
Retail	1,489	1,483	66,655	65,921	-1,505	612	606	2.2%	2.2%	101.5%	41.1%	40.9%
Corporates	1,549	1,520	62,740	62,675	-1,488	697	696	2.5%	2.4%	97.9%	45.0%	45.8%
Group Markets	0	0	709	709	-2	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	4	4	201	201	-6	0	0	2.2%	2.2%	129.1%	0.1%	0.1%
Savings Banks	1,309	1,309	53,816	53,809	-918	726	726	2.4%	2.4%	70.2%	55.5%	55.5%
GCC	17	14	55	53	-17	8	6	30.8%	26.9%	116.1%	48.4%	38.6%
Total	4,368	4,330	184,177	183,369	-3,936	2,043	2,034	2.4%	2.4%	90.9%	46.8%	47.0%
Dec 20												
Retail	1,495	1,494	61,025	60,452	-1,466	599	599	2.4%	2.5%	98.2%	40.1%	40.1%
Corporates	1,624	1,614	57,567	57,466	-1,530	631	630	2.8%	2.8%	94.8%	38.9%	39.1%
Group Markets	1	1	577	577	-3	0	0	0.1%	0.1%	378.4%	0.0%	0.0%
ALM & LCC	4	4	243	243	-11	0	0	1.6%	1.6%	278.6%	1.8%	1.8%
Savings Banks	1,394	1,391	50,393	50,383	-976	732	729	2.8%	2.8%	70.2%	52.5%	52.4%
GCC	17	15	215	211	-16	8	6	7.8%	6.9%	111.4%	47.3%	39.4%
Total	4,534	4,518	170,020	169,333	-4,002	1,970	1,964	2.7%	2.7%	88.6%	43.5%	43.5%

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

in EUR million	Loans to customers					Loan loss allowances				Coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 21												
Austria	85,834	20,286	2,227	54	72	-152	-488	-927	-1	2.4%	41.6%	1.5%
EBOe & Subs.	30,887	5,942	565	6	10	-33	-118	-201	0	2.0%	35.6%	0.0%
Savings Banks	42,784	9,696	1,282	47	7	-99	-273	-546	-1	2.8%	42.6%	1.7%
Other Austria	12,163	4,648	379	0	55	-21	-96	-180	0	2.1%	47.3%	0.0%
CEE	62,150	10,541	1,923	274	734	-259	-750	-1,256	-87	7.1%	65.3%	31.8%
Czech Republic	29,306	4,428	674	52	0	-98	-264	-422	-20	6.0%	62.6%	38.2%
Slovakia	13,924	1,951	290	72	0	-43	-111	-166	-22	5.7%	57.3%	30.6%
Romania	7,865	1,907	377	55	0	-54	-198	-288	-13	10.4%	76.4%	24.4%
Hungary	3,413	844	155	66	734	-16	-61	-85	-17	7.2%	54.9%	25.9%
Croatia	5,940	1,257	389	28	0	-37	-104	-270	-15	8.3%	69.4%	52.6%
Serbia	1,702	155	37	2	0	-11	-13	-24	0	8.4%	64.7%	21.4%
Other	49	15	17	0	2	-1	0	-16	0	0.3%	91.9%	0.0%
Total	148,033	30,842	4,167	327	808	-412	-1,238	-2,198	-88	4.0%	52.8%	26.8%

Dec 20												
Austria	78,106	20,748	2,341	71	109	-139	-514	-1,014	-4	2.5%	43.3%	5.3%
EBOe & Subs.	28,688	6,352	575	6	12	-31	-119	-217	0	1.9%	37.6%	0.1%
Savings Banks	38,616	10,355	1,363	49	10	-93	-287	-592	-4	2.8%	43.5%	7.6%
Other Austria	10,803	4,041	403	16	87	-15	-107	-205	0	2.7%	50.8%	0.0%
CEE	55,187	10,410	1,935	296	575	-219	-679	-1,297	-122	6.5%	67.0%	41.1%
Czech Republic	24,980	3,958	611	47	2	-83	-232	-413	-22	5.9%	67.6%	46.1%
Slovakia	12,514	2,390	301	84	0	-31	-128	-175	-57	5.4%	58.1%	68.5%
Romania	6,818	2,044	387	66	0	-38	-170	-287	-17	8.3%	74.3%	25.1%
Hungary	3,354	820	124	76	573	-16	-59	-76	-16	7.2%	61.5%	21.2%
Croatia	5,973	1,028	489	22	0	-41	-76	-327	-9	7.4%	66.8%	43.5%
Serbia	1,548	171	23	2	0	-10	-13	-18	-1	7.8%	78.6%	35.5%
Other	49	171	17	0	4	0	0	-16	0	0.1%	93.7%	0.0%
Total	133,343	31,329	4,293	368	687	-358	-1,193	-2,326	-125	3.8%	54.2%	34.1%

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

The defaulted part of POCI loans amounted to EUR 165 million (2020: EUR 226 million), the non-defaulted part to EUR 162 million (2020: EUR 142 million).

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

in EUR million	Loans to customers					Loan loss allowances				Coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 21												
Retail	56,634	7,746	1,440	101	734	-160	-488	-830	-28	6.3%	57.6%	27.6%
Corporates	47,819	13,255	1,423	178	65	-151	-475	-802	-59	3.6%	56.4%	33.2%
Group Markets	580	129	0	0	0	-1	-1	0	0	0.9%	18.5%	0.0%
ALM & LCC	183	14	4	0	0	-1	-1	-4	0	5.5%	99.5%	0.0%
Savings Banks	42,784	9,696	1,282	47	7	-99	-273	-546	-1	2.8%	42.6%	1.7%
GCC	34	2	17	0	2	-1	0	-16	0	2.3%	91.9%	0.0%
Total	148,033	30,842	4,167	327	808	-412	-1,238	-2,198	-88	4.0%	52.8%	26.9%
Dec 20												
Retail	51,256	7,638	1,443	115	573	-129	-455	-849	-34	6.0%	58.8%	29.4%
Corporates	42,700	13,097	1,466	203	100	-135	-443	-865	-88	3.4%	59.0%	43.2%
Group Markets	532	44	1	0	0	-1	-2	0	0	4.5%	5.3%	100.0%
ALM & LCC	213	26	4	0	0	-1	-6	-4	0	21.7%	115.2%	0.0%
Savings Banks	38,616	10,355	1,363	49	10	-93	-287	-592	-4	2.8%	43.5%	7.6%
GCC	26	169	17	0	4	0	0	-16	0	0.1%	93.7%	0.0%
Total	133,343	31,329	4,293	368	687	-358	-1,193	-2,326	-125	3.8%	54.2%	34.1%

The NPL exposures above exclude any write-offs recognised in accordance with IFRS 9. Erste Group distinguishes between contractual write-offs (debt forgiveness towards the defaulted client, either unconditional or subject to conditions) and technical write-offs (claim removal from the books due to no reasonable expectation of recovery, whereby the legal claim towards the customer remains). Both types of write-offs have as a pre-condition that all reasonable workout measures and late collections tools have been applied for optimal recovery.

In case of collateralised loans, write-off prior to the realisation of the collateral is not allowed unless specific circumstances apply. Additional technical write-off triggers include enforcement, worthlessness of claim/collateral, legally binding bankruptcy/liquidation or other economic loss of the rights to claim/sale. The amount written off during 2021, which is still subject to enforcement activity, totals EUR 157 million (2020: EUR 114 million).

Loans and advances to customers by geographical operating segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Dec 21						
Austria	101,287	0	2,300	2,913	1,972	108,472
EBOe & Subs.	36,283	0	999	69	58	37,409
Savings Banks	51,407	0	1,257	38	1,114	53,816
Other Austria	13,597	0	43	2,806	800	17,246
CEE	30,885	44,491	18	153	75	75,621
Czech Republic	4,377	29,978	0	58	47	34,459
Slovakia	16,204	0	0	4	27	16,236
Romania	3,011	7,123	0	71	0	10,204
Hungary	1,245	3,960	1	5	0	5,211
Croatia	4,665	2,922	16	11	0	7,614
Serbia	1,384	509	0	3	0	1,897
Other	33	42	4	5	0	84
Total	132,205	44,533	2,322	3,071	2,047	184,177
Dec 20						
Austria	93,915	0	2,672	2,518	2,272	101,376
EBOe & Subs.	34,395	0	1,124	41	73	35,634
Savings Banks	47,503	0	1,505	57	1,329	50,393
Other Austria	12,017	0	43	2,420	869	15,349
CEE	29,657	38,515	22	154	56	68,404
Czech Republic	4,069	25,446	0	41	40	29,597
Slovakia	15,269	0	0	3	16	15,289
Romania	3,108	6,130	0	78	0	9,316
Hungary	1,277	3,643	3	23	0	4,947
Croatia	4,624	2,864	19	4	0	7,511
Serbia	1,310	431	0	3	0	1,744
Other	175	45	4	16	0	240
Total	123,747	38,560	2,698	2,687	2,327	170,020

'CEE-LCY' refers to the CEE geographical segment view where the local currency is the currency of the respective country (e.g. CZK in Czech Republic, RON in Romania etc.).

Securitisations

As of 31 December 2021, Erste Group held a further reduced residual portfolio of securitisations; there were no new investments undertaken and all repayments were made as scheduled.

The carrying amount of Erste Group's securitisation portfolio totalled EUR 9.2 million. The entire exposure consists of three individual transactions, which are AAA, AA and BBB rated.

35. Market risk

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived from them. These market value changes might appear in the profit and loss account, in the statement of comprehensive income or in hidden reserves. At Erste Group, market risk is divided into interest rate risk; credit spread risk, currency risk, equity risk, commodity risk, and volatility risk. This concerns both trading and banking book positions.

Methods and instruments employed

At Erste Group, potential losses that may arise from market movements are assessed using the value at risk (VaR). The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions. The calculation is based on the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day, and a look back period of two years. In February 2021, Erste Group received regulatory approval for implementing a material model change to its internal model for measuring market risk. The material model change pertains to enhancements in the modelling of the specifics of the CZK interest rate risk factors. The model change affects both VaR and SVaR measures and accounts for an increase in Market Risk RWAs of EUR 300 million on the day of the change (19 February 2021).

Back-testing is used to constantly monitor the validity of the internal market risk model. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a given day should exceed the VaR estimate statistically only two to three times a year (1% of around 250 workdays).

A known limitation of the VaR approach is that on the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed within the look-back period of two years to calculate the VaR for the current position of the bank. To address this limitation and in order to investigate any extreme market situations not reflected in the VaR approach, stress tests are conducted at Erste Group. These stress tests are designed to cover market movements of low probability and high impact.

The stress tests are carried out according to several methods: stressed VaR (SVaR) is derived from the normal VaR calculation. But instead of simulating only over the two most recent years, an analysis of a much longer period is carried out in order to identify a one-year period that constitutes a relevant period of stress for the current portfolio mix. According to the legal framework, that one-year period is used to calculate a VaR with a 99% confidence level. This enables Erste Group on the one hand to hold sufficient own funds available for the trading book even in periods of elevated market volatility, while on the other hand also enabling it to incorporate these resulting effects into the management of trading positions.

Standard scenarios are also defined, in which selected market factors are subject to extreme movements. Such scenarios are calculated at Erste Group for interest rates, stock prices, exchange rates and volatilities. Historic scenarios are a modification of the concept of standard scenarios. In this case, risk factor movements modelled after certain crisis events such as ‘Covid-19 crisis’ or ‘Lehman bankruptcy’ form the basis of the stress calculation. In addition, hypothetical stress test scenarios are defined based on analysis of the current economic environment and projections of adverse developments of key market risk drivers. These analyses are made available to the Market Risk Committee within the scope of the regular market risk reporting.

Methods and instruments of risk mitigation

At Erste Group, market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of risk-weighted assets (RWAs) for the trading book is allocated by the management board in the Risk Appetite Statement while taking into account the risk-bearing capacity and projected earnings. A further breakdown in VaR, SVaR, and sensitivity limits is done by the Market Risk Committee on the basis of a proposal from the Trading Book Risk Management unit.

All market risk activities of the trading book are assigned risk limits that are entirely consistent with the overall RWA limit. The RWA limit is broken down into dedicated VaR and SVaR limits and assigned in a top-down procedure to the individual trading units. Additionally, in a bottom-up procedure, sensitivity limits are assigned on trading desk level in order to control exposures to individual risk drivers and ensure sufficient diversification. These are then aggregated and applied as a second-limit layer to the VaR and SVaR limits.

Limit compliance is verified at two levels: by the appropriate local risk management unit and by the Trading Book Risk Management unit. The monitoring of sensitivity limits is performed on both intraday and end-of-day basis. On demand, limit reports can also be triggered by the trading units or risk management on an ad-hoc basis.

Trading book VaR and SVaR are calculated daily at group level and reported to all key stakeholders including the relevant board members. In case of a limit breach, the escalation procedure ensures the timely remediation of the limit breach.

The VaR for banking book positions (BB-VaR) is based on the ICAAP calculation of Erste Group where 250.000 historical scenarios are calculated with a theoretical holding period of 1 year and a confidence level of 99.92%. The same calculation is used for the BB-VaR with a 1 day holding period and a 99% confidence level, consistent with the trading book methodology. The results of both calculations, ICAAP and BB-VaR are presented in the Group ALCO to the management board.

Analysis of market risk

The following tables show the VaR amounts at the 99% confidence level using equally weighted market data and with a holding period of one day:

Value at Risk of banking book and trading book

in EUR thousand	Total	Interest	Credit spread	Currency	Shares	Commodity	Volatility
Dec 21							
Erste Group	52,336	44,166	6,771	1,140	2,216	247	1,012
Banking book	47,130	40,360	6,771	-	-	-	-
Trading book	5,206	3,806	-	1,140	2,216	247	1,012
Dec 20							
Erste Group	25,700	21,359	4,251	1,626	1,388	499	544
Banking book	22,200	17,950	4,251	-	-	-	-
Trading book	3,500	3,409	-	1,626	1,388	499	544

In 2021 the model multiplier for Erste Group was increased from 3.0 to 3.25 by the ECB based on the observation that until Q1 2021 Erste Group did not have a systematic process for capturing Risks Not In The Model (RNIME). A regulatory compliant framework was implemented starting with June 2021 and a request for reduction of the regulatory multiplier back to 3.0 was deposited with the ECB. RNIME

exposures in the Erste Group model are immaterial (1% on VaR and SVaR for Q4 2021), well below internal and regulatory thresholds, and do not indicate systematic underestimation of market risk measures.

In the course of the regular review of the models in 2021, some adjustments have been made on the Banking Book VaR calculation. The main improvements are connected to stability of calibration estimates and the harmonization of yield curves for the calibration and simulation.

Interest rate risk in the banking book (IRRBB)

Interest rate risk is the risk of an adverse change in both, the earnings and economic value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including off-balance instruments are used to calculate the impact of certain interest rate scenarios on their economic value and their earnings. Limits and thresholds are implemented for both aspects of the IRRBB, the change in economic value as well as the change in earnings. Positions without contractually defined maturity or repricing structures, such as demand deposits or overdrafts are modelled accordingly. For positions where the customer has the right to prepay his debt prepayment models are applied.

During 2021 significant updates of models for demand deposits, overdraft and credit cards in Česká spořitelna were implemented. Furthermore, several existing models have been recalibrated across the group.

Erste Group responded to the low or even negative interest rate environment since 2015, which poses a challenge for the interest rate risk measurement and management of banks, in recent years by adjusting its methodologies for measuring the interest rate risk. For internal risk calculations and for the regulatory interest rate risk measures, the maximum downward shock is floored according to the Annex III of the EBA guidelines on the management of interest rate risk arising from non-trading activities (EBA/GL/2018/02).

Exchange rate risk

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. In the trading book, these risks might originate from customer-related or trading operations and are monitored and managed on a daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits for the trading book are set by the Market Risk Committee.

Erste Group separately measures and manages other types of risks relating to the group's balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet items, earnings, dividends and participations/net investments in local currency or foreign exchange has an impact on consolidated earnings and consolidated capital. Erste Group is also reducing the negative impact related to volatility of foreign exchange rates on asset performance (for example as a result of foreign exchange lending in the CEE countries that was stopped for clients not having sufficient regular income in the respective loan currency).

In order to manage its multi-currency earnings structure, Erste Group regularly discusses hedging opportunities and takes decisions in the Group Asset Liability Committee (ALCO). Asset and Liability Management (ALM) uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to obtain as much information as possible on the future foreign currency cash flows. The proposal, which mainly includes the volume, hedging level, hedge ratio and timeline of the hedging, is submitted by ALM to ALCO. The impact of translation on consolidated capital is monitored and reported to ALCO. The ALCO decisions are then implemented by ALM and the implementation status is reported on a monthly basis to ALCO.

The following table shows the largest open foreign currency positions of Erste Group as of 31 December 2021 and the open positions of as of 31 December 2020 (excluding foreign currency positions arising from equity participation).

Open foreign currency positions

in EUR thousand	Open Position
Dec 21	
US Dollar (USD)	41,318
Croatian Kuna (HRK)	25,591
Czech Koruna (CZK)	12,442
Serbian Dinar (RSD)	11,298
Hungarian Forint (HUF)	11,123
Polish Zloty (PLN)	10,676
Romanian Leu (RON)	4,368
Japanese Yen (JPY)	3,984
Swiss Franc (CHF)	-3,687
British Pound (GBP)	2,981
Dec 20	
Czech Koruna (CZK)	-189,279
Hungarian Forint (HUF)	19,284
Swiss Franc (CHF)	6,595
Romanian Leu (RON)	-5,184
Polish Zloty (PLN)	4,990
Serbian Dinar (RSD)	3,698
Swedish Krona (SEK)	-2,133
US Dollar (USD)	1,491
Croatian Kuna (HRK)	-1,284
British Pound (GBP)	-1,069

Credit spread risk

Credit spread risk is the risk of an adverse movement in the fair value of financial instruments caused by a change in the creditworthiness of an issuer perceived by the market. Erste Group is exposed to credit spread risk with respect to its securities portfolio, both in the trading as well as in the banking book.

For the trading book, credit spread risk for government bonds is part of the general market risk covered by VaR and SVaR. Corporate bonds are allocated to benchmark spread curves depending on sector, rating, and currency as part of the general risk covered by VaR and SVaR. The issuer specific risk is covered by the standardised approach for Pillar 1 of regulatory capital requirements. For the issuer specific risk of the trading book in Pillar 2, the spread risk is broken down into a systematic and a residual part risk and reported on an aggregated level.

Quantifying the credit spread risk of the securities in the banking book is based on a historical simulation. The maximum (hypothetical) drawdown that can be attributed to credit related risk factors over a one-year horizon is calculated. It is based on credit spread sensitivities (CR01) and the risk factors used are mainly asset swap spreads for sovereigns and iTRAXX CDS indices for financials and corporates. The resulting amount is used as part of the ICAAP calculations to determine the capital consumption of the banking book portfolio.

Hedging

Banking book market risk management consists of optimising Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on balance sheet development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is ALCO. ALM submits proposals for actions to steer the interest rate risk to ALCO and implements ALCO's decisions.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. IFRS hedge accounting is applied, if possible, to avoid accounting mismatches due to hedging activity. Within the scope of IFRS-compliant hedge accounting, fair value hedges and cash flow hedges are used. In addition, the fair value option is used for hedging the market risk from the economic perspective. Most of the hedging within Erste Group concerns hedging of interest rate risk. The remainder is hedging of foreign exchange rate risk.

36. Liquidity risk

Recent Developments

In 2021, Erste Group further developed and enhanced its liquidity risk calculation and reporting system in the new technical environment. With these improvements, additional metrics such as Net Stable Funding Ratio (NSFR) or reports such as essential part of the Additional Liquidity Monitoring Metrics (ALMM) are now as well established on this technical environment.

Since June 2021, the NSFR is reported to the regulator according to the Regulation (EU) 2019/876 amending the Regulation (EU) No 575/2013 (CRR 2). Furthermore, the internal liquidity stress testing methodology 'Survival Period Analysis' (SPA) was reviewed and updated and is expected to become active in first half of 2022.

Liquidity strategy

In 2021, customer deposits remained the primary source of funding for Erste Group. The growth in loan volume was lower than inflows of customer deposits, the excess liquidity was mainly placed with central banks.

With regards its own issuance, Erste Group Bank AG issued EUR 3.1 billion in bonds in 2021 (2020: EUR 5.2 billion) which in net terms was approx. EUR 0.3 billion above the original plan at the beginning of the year due to pre-funding activities. EUR 2.6 billion (2020: EUR 2.6 billion) was collected by issuing senior preferred bonds. Tier 2 subordinated debt issuance amounted to EUR 0.5 billion (2020: EUR 0.6 billion). A volume of EUR 2.2 billion (2020: EUR 2.0 billion) was printed via benchmark sized transactions and the rest via private placements or the retail network. This was offset by repurchases of EUR 37 million (2020: EUR 62 million). The average tenor of all new issues in 2021 is approximately 7.0 years (2020: 7.1 years).

Erste Group's total TLTRO participation in 2021 was increased to a nominal value of EUR 21.2 billion (2020: EUR 14.1 billion).

Liquidity Metrics and Reports

The liquidity risk in Erste Group is defined in line with the principles set out by the Basel Committee on Banking Supervision as well as the European and Austrian regulations Regulation (EU) No 575/2013 (CRR) amended by the Regulation (EU) No 2019/876 (CRR 2), Commission Delegated Regulation (EU) 2015/61 amended by Commission Delegated Regulation (EU) 2018/1620 and the Kreditinstitute-Risikomanagement-Verordnung - KI-RMV). Accordingly, a distinction is made between market liquidity risk, which is the risk that the group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

The regulatory liquidity ratios LCR and NSFR are well implemented in Erste Group. Erste Group uses the above-mentioned technical environment to calculate the LCR according to the Delegated Regulation (EU) 2015/61 (LCR DA) amended by Delegated Regulation (EU) 2018/1620 as well as the NSFR according to the Regulation (EU) No 575/2013 (CRR) amended by the Regulation (EU) No 2019/876 (CRR 2).

Erste Group calculates LCR on a daily basis on a solo and group level and reports it on a monthly basis to the authorities. Furthermore, the LCR is part of the internal Risk Appetite Statement (RAS). LCR limits are defined in the RAS targeting to be well above the regulatory requirement of 100%. Legal lending limits exist in all CEE countries where Erste Group is represented. As they restrict liquidity flows between Erste Group's subsidiaries in different countries they are taken into account for the assessment of liquidity risk in the survival period model as well as in the calculation of the LCR at group level.

The NSFR is calculated on a monthly basis on solo and group level and is reported on a quarterly basis to the authorities. Same as the LCR, the NSFR is part of the internal RAS and limits are defined in the RAS targeting to be well above the regulatory requirement of 100%

Short-term insolvency risk is monitored by calculating the survival period analysis (SPA) on both entity and group levels. This analysis determines the maximum period during which the entity can survive a set of defined scenarios, including a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of customer, as well as the potential outflows from collateralised derivative transactions estimating the effect of collateral outflows in the case of adverse market movements. The SPA is covering a stress horizon of up to 12 months. It is calculated on a monthly basis at entity and group level.

Structural liquidity is monitored with the internal Structural Liquidity Ratio (STRL), depicting the going concern maturity mismatches of the subsidiaries and the group as a whole. The STRL is calculated on a monthly basis both on solo entity level and on group level.

All above mentioned reports (LCR, NSFR, SPA and STRL) are reported to the Operational Liquidity Committee (OLC) as well as to the management board during the Group Asset and Liability Committee (Group ALCO).

Additionally, concentration risks in the funding structure and 'Counterbalancing Capacity' (CBC) are regularly monitored and reported to the regulator. Erste Group's funds transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Methods and instruments of risk mitigation

Apart from the reporting of liquidity metrics to the OLC and the Group ALCO, another important instrument for managing the liquidity risk within Erste Group Bank AG and in relation to its subsidiaries is the FTP system. Important information for liquidity management can

be obtained by the process of planning funding needs. Therefore, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across Erste Group.

The Comprehensive Contingency Plan of the Erste Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are coordinated as part of the plan for Erste Group Bank AG.

Analysis of liquidity risk

In Erste Group, the liquidity risk is analysed by the following methods.

Liquidity coverage ratio. Erste Group uses the regulatory LCR for internal monitoring and steering of the liquidity position. To keep the LCR according LCR DA above both limits, the regulatory limit and the internal limit, Erste Group closely monitors its short-term liquidity inflows and outflows as well as its available counterbalancing capacity (CBC).

Liquidity coverage ratio

in EUR million	Dec 20	Dec 21
Liquidity buffer	58,218	71,566
Net liquidity outflow	30,754	40,361
Liquidity coverage ratio	189.3%	177.3%

Structural liquidity gaps. The long-term liquidity position is managed using structural liquidity gaps on the basis of contractual and partially behavioural cash flows of all liquidity relevant components of the balance sheet (on-balance and off-balance). This liquidity position is calculated for each material currency.

Cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. All customer products without contractual maturities (such as demand deposits and overdrafts) are included according to a going concern maturity profile using model based on statistically observed client behaviour.

Structural liquidity gap

in EUR million	0-12 months		1-3 years		3-5 years		> 5 years	
	Dec 20	Dec 21	Dec 20	Dec 21	Dec 20	Dec 21	Dec 20	Dec 21
Liquidity gap	30,829	37,894	-6,329	-7,021	-5,487	-10,414	-20,221	-21,690

An excess of assets over liabilities is indicated by a positive value, while an excess of liabilities over assets is indicated by a negative value. The cash inflows from liquid securities amounting to EUR 30.7 billion (2020: EUR 27.4 billion), which are accepted as collateral by the central banks to which Erste Group has access, are considered in the first time bucket rather than considering them at their contractual maturity.

Counterbalancing capacity. Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserves at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including impacts from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation.

The figures for December 2021 in the tables below (term structure of counterbalancing capacity and financial liabilities) are extracted from the new technical environment as described in the section 'recent developments' whereas the figures for December 2020 are based on the old technical environment which was still in use back then. The deviations that arise due to the change of the systems are minor and are mainly driven by improved data quality in the new environment.

Term structure of counterbalancing capacity

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Dec 21					
Cash, excess reserve	29,074	0	0	0	0
Liquid assets	37,951	-6,126	-1,134	-1,447	-2,252
Other central bank eligible assets	1,119	-43	328	-267	499
Thereof retained covered bonds	-86	0	470	0	500
Thereof credit claims	331	0	0	0	243
Counterbalancing capacity	68,144	-6,170	-806	-1,714	-1,753
Dec 20					
Cash, excess reserve	23,741	0	0	0	0
Liquid assets	31,000	-2,904	-2,121	-801	-2,037
Other central bank eligible assets	3,223	-88	1,534	-188	-205
Thereof retained covered bonds	601	0	1,677	0	0
Thereof credit claims	774	0	0	0	0
Counterbalancing capacity	57,964	-2,992	-587	-990	-2,242

The figures above show the total amount of potential liquidity available for the group in a going concern situation considering the applicable central bank haircuts. In a crisis situation, adverse market movements can decrease this amount. The initial counterbalancing capacity available at group level is reduced by additional stressed haircuts. Negative figures are maturing positions of the counterbalancing capacity. Positive figures after one week are positions not immediately available as counterbalancing capacity.

Financial liabilities. The table below shows the undiscounted principal cash flows for all financial liabilities. Data in the financial liabilities table contain interest cash flows for December 2021 whereas for December 2020 they are not included. The reason for this is the switch to the new technical infrastructure during 2021 allowing to report interest cash-flows.

Financial liabilities

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
Dec 21						
Non-derivative liabilities	274,539	278,718	209,599	11,005	39,401	18,714
Deposits by banks	31,886	33,427	4,176	3,315	23,147	2,790
Customer deposits	210,523	213,550	204,311	3,581	4,213	1,445
Debt securities in issue	25,295	26,091	1,088	2,731	10,104	12,169
Subordinated liabilities	6,835	5,650	25	1,377	1,938	2,310
Derivative liabilities	1,933	1,953	-32	729	1,018	239
Derivatives liabilities with netted Cash Flows	0	1,406	105	282	788	231
Derivatives liabilities with gross Cash Flow (net)	0	547	-137	446	229	8
Outflows	0	44,997	27,760	10,706	5,534	995
Inflows	0	-44,449	-27,897	-10,260	-5,305	-987
Contingent liabilities	0	53,529	53,529	0	0	0
Financial guarantees	0	6,796	6,796	0	0	0
Commitments	0	46,734	46,734	0	0	0
Other financial liabilities	2,190	2,190	2,190	0	0	0
Total	278,663	336,391	265,286	11,733	40,419	18,953
Dec 20						
Non-derivative liabilities	246,518	255,108	175,767	25,824	37,358	16,159
Deposits by banks	24,771	25,141	4,671	1,486	17,408	1,576
Customer deposits	191,070	194,088	164,600	20,655	7,330	1,503
Debt securities in issue	24,587	31,016	6,470	3,324	10,129	11,092
Subordinated liabilities	6,089	4,863	25	359	2,491	1,988
Derivative liabilities	2,226	1,512	-5	524	666	326
Derivatives liabilities with netted Cash Flows	-	1,469	237	293	606	333
Derivatives liabilities with gross Cash Flow (net)	-	43	-242	231	60	-7
Outflows	-	51,265	38,785	7,464	4,032	983
Inflows	-	-51,222	-39,027	-7,234	-3,972	-990
Contingent liabilities	-	47,758	47,758	0	0	0
Financial guarantees	-	6,426	6,426	0	0	0
Commitments	-	41,332	41,332	0	0	0
Other financial liabilities	1,286	1,286	1,286	0	0	0
Total	250,030	305,664	224,806	26,348	38,024	16,485

As of year-end 2021, the currency composition of the non-derivative liabilities consisted of approximately 71% EUR, 17% CZK, 4% RON, 3% USD, and 5% in other currencies (2020: 70% EUR, 19% CZK, 3% RON, 3% USD and 5% in other currencies).

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is calculated from the collateralised derivative transactions for the stress testing, following a historical lookback approach, which amounted to EUR 1.2 billion (2020: EUR 1.1 billion) in the severe combined idiosyncratic and market crisis scenario as of 31 December 2021.

As of 31 December 2021, the volume of customer deposits due on demand amounted to EUR 167.7 billion (2020: EUR 144.9 billion). According to customer segments, the customer demand deposits are composed as follows: 64% private individuals, 21% small and medium-sized enterprises, 8% large corporates, 4% public sector, and 3% non-banking financial institutions (2020: 65% private individuals, 15% large corporates, 14% small and medium-sized enterprises, 4% public sector, and 2% non-banking financial institutions).

37. Operational risk

In line with Article 4 Section 52 of regulation (EU) 575/2013 (CRR), Erste Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from a leading non-profit risk-loss data consortium.

Erste Group calculates capital requirements for operational risk based on the Advanced Measurement Approach (AMA) that is subject to regulatory approval. AMA is a sophisticated approach for measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. Additionally, Erste Group received the approval to use insurance contracts for mitigation within the AMA pursuant to Article 323 CRR.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control assessments through expert panels. Additional methods include setting of key risk indicators and risk assessments in connection with product approvals, outsourcing assessments and risk return decisions. The results of these assessments and processes are reported to line management along with mitigation measures and thus help to reduce operational risks. In order to ensure early detection of changes in the risk profile that may lead to losses, Erste Group monitors a number of key risk indicators such as system availability, staff turnover, and customer complaints.

Erste Group uses a group-wide insurance program that has reduced the cost of meeting Erste Group's traditional property insurance needs. Freed-up resources made it possible to buy additional insurance for previously uninsured bank-specific risks. This program uses a captive reinsurance entity as a vehicle to share losses within the group and access the external market.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the management board via various reports, most importantly the quarterly Group Risk Report, which informs on recent losses, loss trends, qualitative information derived from Risk Control Self-Assessments, NFR (Non-Financial Risk) decisions, risk indicators, key ratios and the Erste Group VaR for operational risk.

Non-current assets and other investments

38. Property, equipment and investment properties

Property and equipment

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

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

Land is not depreciated.

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

Investment properties

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

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

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

Impairment

The bank assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is done at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

At each reporting date, an assessment is made as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the bank estimates the asset's or the CGU's recoverable amount. Judgement and estimates are required to determine the value in use and fair value less costs of disposal by estimating the timing and amount of future expected cash flows and the discount rates. The previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

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

The analysis on the recoverability of non-financial assets in the context of the Covid-19 pandemic is explained in section 'Accounting treatment of issues related to Covid-19' in the chapter 'Significant accounting policies'.

Acquisition and production costs

Own property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 20	2,540	1,050	538	427	4,555	1,678
Additions	170	54	57	117	399	44
Disposals	-218	-127	-30	-124	-499	-34
Acquisition of subsidiaries	0	2	0	0	2	16
Disposal of subsidiaries	0	0	0	-2	-3	0
Reclassification	-26	2	0	0	-25	26
Assets held for sale	-41	0	0	0	-41	-34
Currency translation	-30	-9	-8	-8	-56	-12
Dec 20	2,393	970	557	410	4,331	1,684
Additions	120	73	55	132	380	83
Disposals	-40	-66	-64	-94	-265	-15
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	-1
Reclassification	-2	-37	39	0	0	0
Assets held for sale	-4	0	0	26	21	-21
Currency translation	32	5	5	5	48	6
Dec 21	2,498	945	593	479	4,515	1,736

Rights of use: property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 20	541	5	2	2	550	27
Additions	121	1	0	0	122	34
Disposals	-36	-1	0	0	-37	-1
Acquisition of subsidiaries	1	0	0	0	1	0
Disposal of subsidiaries	-1	0	0	0	-1	0
Reclassification	0	0	0	0	0	0
Assets held for sale	0	0	0	0	0	0
Currency translation	-13	0	0	0	-14	0
Dec 20	613	4	2	2	621	60
Additions	74	1	0	10	86	41
Disposals	-25	-1	0	0	-26	-1
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Assets held for sale	0	0	0	0	0	0
Currency translation	6	0	0	0	6	0
Dec 21	668	5	2	12	687	100

Accumulated depreciation

Own property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 20	-1,159	-740	-374	-131	-2,404	-436
Amortisation and depreciation	-69	-61	-59	-48	-236	-26
Disposals	155	122	31	43	352	12
Acquisition of subsidiaries	0	-1	0	0	-1	-3
Disposal of subsidiaries	0	0	0	2	3	0
Impairment	-16	-2	0	-50	-68	-8
Reversal of impairment	9	0	0	0	9	1
Reclassification	15	0	0	0	15	-15
Assets held for sale	28	0	0	16	44	13
Currency translation	16	7	6	4	33	3
Dec 20	-1,021	-674	-395	-164	-2,253	-459
Amortisation and depreciation	-66	-55	-63	-48	-231	-28
Disposals	27	63	62	45	197	3
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	1	1
Impairment	-21	-1	0	-21	-44	-6
Reversal of impairment	5	0	0	0	5	1
Reclassification	-1	18	-16	0	1	-1
Assets held for sale	11	0	0	0	11	6
Currency translation	-18	-3	-3	-3	-27	-3
Dec 21	-1,084	-651	-415	-190	-2,340	-484

Rights of use: property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 20	-70	-1	0	0	-72	-2
Amortisation and depreciation	-85	-1	-1	0	-87	-2
Disposals	12	0	0	0	12	0
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0
Impairment	-2	0	0	0	-2	-1
Reversal of impairment	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Assets held for sale	0	0	0	0	0	0
Currency translation	2	0	0	0	2	0
Dec 20	-143	-1	-1	-1	-146	-5
Amortisation and depreciation	-84	-1	-1	0	-86	-3
Disposals	16	0	0	0	17	1
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0
Impairment	0	0	0	0	0	-1
Reversal of impairment	1	0	0	0	1	0
Reclassification	0	0	0	0	0	0
Assets held for sale	0	0	0	0	0	0
Currency translation	-2	0	0	0	-2	0
Dec 21	-213	-2	-2	-1	-217	-8

Carrying amounts

Own property, equipment and investment properties

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Dec 20	1,372	296	162	247	2,077	1,225
Dec 21	1,414	294	178	289	2,175	1,251

Rights of use: property, equipment and investment properties

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Dec 20	470	3	1	1	475	55
Dec 21	455	3	0	11	470	93

Total carrying amounts

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Dec 20	1,842	299	163	248	2,552	1,280
Dec 21	1,869	297	178	301	2,645	1,344

The carrying amount of investment properties include properties subject to operating leases in the amount of EUR 1,273.3 million (2020: EUR 1,227.4 million). Investment properties with a carrying amount of EUR 443.6 million (2020: EUR 425.7 million) are pledged as collaterals. Investment properties with a carrying amount of EUR 567.0 million (2020: EUR 563.0 million) are subject to the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz) and hence are subject to the specific rules in respect of sale and use of these properties. The carrying amount of property and equipment includes properties subject to operating leases in the amount of EUR 334.3 million (2020: EUR 360.6 million).

In the reporting period, expenditures in the amount of EUR 185.0 million (2020: EUR 147.4 million) are capitalised in the carrying amount of fixed assets and investment properties during their construction. The contractual commitments for purchase of fixed assets are EUR 54.9 million (2020: EUR 74.2 million).

In 2021, land and buildings were impaired in the amount of EUR 15.8 million in Czech Republic (2020: EUR 9.8 million in Romania). As of 31 December 2021, the recoverable amount of these impaired assets amounted to EUR 40.6 million (2020: EUR 12.3 million).

Fair values and fair value hierarchy of investment properties

in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Dec 21					
Assets for which the FV is disclosed in the notes					
Investment property	523	686	0	0	686
Dec 20					
Assets for which the FV is disclosed in the notes					
Investment property	1,038	1,114	0	0	1,114

The fair values are determined by experts with recognised and relevant professional qualification. Fair values of commercial real estate in Austria and CEE owned by Erste Group through Austrian companies are based on valuation reports relying essentially, but not solely, on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). For all other property owned by Erste Group through subsidiaries located in CEE countries the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors.

The book value related to investment properties for which no disclosure according to IFRS 13 is required amounts to EUR 821 million as of 31 December 2021 (2020: EUR 242 million). The corresponding fair value amounts to EUR 832 million (2020: EUR 318 million).

39. Intangible assets

Goodwill

Goodwill arises from business combinations whereby a subsidiary is acquired. Subsequently, goodwill is carried at cost as established on the acquisition date, less accumulated subsequent impairment losses, if any. For more details on measurement of goodwill at the acquisition date refer to Note 46 Subsidiaries.

Other intangible assets

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

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

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

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

	Nutzungsdauer in Jahren
Computer software	4-10
Customer relationships	10-20

Brands have been impaired to nil carrying amount. As a result, they are not being amortised.

Impairment of intangible assets including goodwill

Impairment of intangible assets is based on the same requirements as described in Note 36 Property, equipments and investment properties. It is typical of intangible assets that they do not generate cash inflows that are largely independent of those from other assets. As a result, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs.

Goodwill is tested for impairment annually in November, or whenever there is an indication of possible impairment during the year, with any impairment determined recognised in profit or loss. The impairment test is carried out for each cash-generating unit (CGU) to which goodwill has been allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

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

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

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

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

The analysis on the recoverability of non-financial assets in the context of the Covid-19 pandemic is explained in section ‘Accounting treatment of issues related to Covid-19’ in the chapter ‘Significant accounting policies’.

Acquisition and production costs

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 20	3,814	739	270	1,569	511	349	7,252
Additions	0	0	0	129	70	13	213
Disposals	-3,124	-570	-267	-11	-30	-6	-4,008
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	-3	0	0	0	0	-1	-3
Reclassification	0	0	0	-1	-2	2	-1
Assets held for sale	0	0	0	0	0	0	0
Currency translation	-25	-10	-3	-43	-1	-4	-85
Dec 20	662	159	0	1,644	549	353	3,367
Additions	6	0	0	131	51	14	202
Disposals	-8	0	0	-55	-10	-22	-96
Acquisition of subsidiaries	0	0	0	1	0	0	1
Disposal of subsidiaries	0	0	0	0	0	0	0
Reclassification	0	0	0	9	-4	-5	0
Assets held for sale	0	0	0	0	0	0	0
Exchange-rate changes	0	0	0	33	-1	3	36
Dec 21	660	159	0	1,763	585	343	3,510

Accumulated depreciation

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 20	-3,267	-687	-270	-1,134	-266	-260	-5,884
Amortisation and depreciation	0	-8	0	-106	-53	-23	-189
Disposals	3,124	570	267	23	8	6	3,998
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	1	1
Impairment	0	0	0	-2	-1	0	-2
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	-1	0	1	0
Assets held for sale	0	0	0	0	0	0	0
Currency translation	25	9	3	28	0	3	68
Dec 20	-118	-117	0	-1,191	-311	-272	-2,008
Amortisation and depreciation	0	-8	0	-109	-60	-25	-201
Disposals	8	0	0	51	14	24	98
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0	0
Impairment	0	0	0	-7	0	-3	-10
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	-4	0	4	0
Assets held for sale	0	0	0	0	0	0	0
Currency translation	0	0	0	-23	0	-3	-26
Dec 21	-110	-124	0	-1,284	-356	-274	-2,148

Carrying amounts

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Dec 20	544	42	0	452	238	81	1,359
Dec 21	550	35	0	480	229	69	1,362

The contractual commitments for the purchase of intangible assets amounted to EUR 1.9 million (2020: EUR 1.8 million). As of 31 December 2021 the customer relationship Ringturm Kapitalanlagegesellschaft m.b.H. amounted to EUR 28.0 million (2020: EUR 32.1 million). The remaining amortization period of the customer relationship in Ringturm Kapitalanlagegesellschaft m.b.H. was 6.8 years.

Goodwill

The goodwill of Česká spořitelna a.s. ('CSAS') was tested for objective evidence of impairment on a quarterly basis during 2021. No indicators of impairment were identified during 2021. Therefore, only the annual goodwill impairment test was performed for this CGU as of 31 October 2021. The recoverable amount was higher than the carrying amount, so no impairment was required. Due to the ongoing planning uncertainty as a result of the Covid-19 pandemic and the resulting economic environment, Erste Group derived an additional planning scenario for the impairment test. In addition to the base case scenario, which was weighted as the most likely scenario with 60% probability, a downside scenario with 40% probability weighting was also defined.

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

CSAS	
Carrying amount of goodwill as of 1 January 2021 (in EUR million)	544
Effect of exchange rate changes for the year 2021 (in EUR million)	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)
Key interest input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 0.13% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2021.
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2021.
Description of approach to determining values assigned to market risk premium	Set at 7.67% throughout relevant Group's CGUs based on published evaluations by the Austrian Chamber of Commerce (Kammer der Steuerberater und Wirtschaftsprüfer).
Period of cash flow projection (years)	5 years (2022 - 2026); extrapolation to perpetuity based on Terminal Growth Rate
Discount rate applied to cash flow projections (pre-tax)	12.9%
The value assigned to β Factor	1.17
Amount of goodwill impairment loss recognised in profit or loss for the year 2021 (in EUR million)	0
Post-impairment carrying amount of goodwill as of 31 December 2021 (in EUR million)	544
<hr/>	
Carrying amount of goodwill as of 1 January 2020 (in EUR million)	544
Effect of exchange rate changes for the year 2020 (in EUR million)	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)
Key interest input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at -0.23% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2020.
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2020.
Description of approach to determining values assigned to market risk premium	Set at 8.03% throughout relevant Group's CGUs based on published evaluations by the Austrian Chamber of Commerce (Kammer der Steuerberater und Wirtschaftsprüfer).
Period of cash flow projection (years)	5 years (2021 - 2025); extrapolation to perpetuity based on Terminal Growth Rate
Discount rate applied to cash flow projections (pre-tax)	13.2%
The value assigned to β Factor	1.17
Amount of goodwill impairment loss recognised in profit or loss for the year 2020 (in EUR million)	0
Post-impairment carrying amount of goodwill as of 31 December 2020 (in EUR million)	544

For cash generating units outside the euro-zone, an inflation differential has been considered when determining the discount rates applicable to the related 2022-2026 cash flow projections.

In respect to tested cash-generating units for which no goodwill impairment loss was determined as of 31 December 2021, the table below summarizes the outcome of the sensitivity analysis performed to determine by how much the key input parameters into the applied discounted cash flow models would need to vary in order to cause the unit's calculated recoverable amount to equal its related carrying amount:

	CSAS
Dec 21	
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	3,371
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	582
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-6,188
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.758
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	496
Dec 20	
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	412
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	71
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-1,192
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.088
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	61

40. Other assets

in EUR million	Dec 20	Dec 21
Prepayments	124	112
Inventories	171	149
Sundry assets	456	784
Other assets	751	1,045

In the line 'Inventories' real estate project developments and repossessed assets (mainly real estate) are disclosed.

The impairment of inventories, shown as expense in the reporting period amounts to EUR 5.7 million (2020: EUR 4.7 million). The carrying amount of inventories carried at fair value less costs to sell amounts to EUR 35.6 million (2020: EUR 50.4 million). The cost of inventories recognised as expense in the reporting period amounts to EUR 16.3 million (2020: EUR 16.3 million).

Fiduciary assets

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

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

Erste Group as a lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, the lessor reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported by the lessor in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the statement of income under the line item 'Rental income from investment properties and other operating leases'. Operating leases mainly include the leasing of commercial real estate, automobiles and small trucks.

The lessor is mitigating the risk associated with any rights it retains in underlying assets. This is achieved especially by means of residual value guarantees, variable lease payments for use in excess of specified limits and buy-back agreements with third parties.

An intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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

Finance leases

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

in EUR million	Dec 20	Dec 21
Outstanding lease payments	4,154	4,297
Non-guaranteed residual values	189	171
Gross investment	4,342	4,468
Unrealised financial income	250	245
Net investment	4,093	4,223
Present value of non-guaranteed residual values	168	154
Present value of outstanding lease payments	3,924	4,069

Maturity analysis by residual maturities

in EUR million	Dec 20		Dec 21	
	Gross investment	Present value of outstanding lease payments	Gross investment	Present value of outstanding lease payments
< 1 year	1,056	972	1,105	1,014
1-2 years	892	824	962	896
2-3 years	770	715	798	749
3-4 years	608	570	639	598
4-5 years	415	382	422	371
> 5 years	600	462	541	441
Total	4,342	3,924	4,468	4,069

During 2021, Erste Group recognised interest income on finance lease receivables in the amount of EUR 115.7 million (2020: EUR 118.2 million). Gains/losses from derecognition of finance lease receivables are recognized in line item 'Gains/losses from derecognition of financial assets measured at amortised cost' (Note 10).

Finance lease receivables

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 21											
General governments	278	7	0	0	285	0	-2	0	0	-2	283
Credit institutions	3	0	0	0	3	0	0	0	0	0	3
Other financial corporations	83	1	0	0	84	0	0	0	0	0	84
Non-financial corporations	2,568	381	139	0	3,088	-13	-23	-61	0	-97	2,991
Households	797	50	12	0	859	-3	-2	-6	0	-11	848
Total	3,729	439	151	0	4,319	-17	-27	-67	0	-111	4,209
Dec 20											
General governments	358	1	16	0	374	-3	0	-2	0	-4	370
Credit institutions	4	0	0	0	4	0	0	0	0	0	4
Other financial corporations	66	7	0	0	73	0	0	0	0	0	73
Non-financial corporations	2,319	484	171	0	2,974	-11	-10	-70	0	-91	2,883
Households	739	56	15	0	810	-3	-2	-7	0	-12	798
Total	3,485	548	201	0	4,235	-17	-12	-78	0	-108	4,127

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 21								Dec 21
Stage 1	-17	-7	1	7	-1	0	0	0	-17
Stage 2	-12	0	10	-10	-11	0	0	-4	-27
Stage3	-78	0	8	-4	16	0	5	-14	-67
POCI	0	0	0	0	0	0	0	0	0
Total	-108	-7	19	-7	4	0	5	-18	-111
	Jan 20								Dec 20
Stage 1	-15	-6	1	7	-4	0	0	0	-17
Stage 2	-5	0	0	-8	1	0	0	0	-12
Stage3	-114	0	35	-11	3	0	6	2	-78
POCI	0	0	0	0	0	0	0	0	0
Total	-134	-6	36	-11	1	0	6	2	-108

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

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related finance lease receivables from Stage 1 as of 1 January 2021 or initial recognition date to Stages 2 or 3 as of 31 December 2021 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'. This column also captures the passage-of-time adverse effect ('unwinding correction') over the lifetime expected cash shortfalls of finance lease receivables that were assigned to Stage 3 for any period throughout the year, as well as of any POCI finance lease receivables. This adverse effect amounted to EUR 1.9 million (2020: EUR 4.4 million) cumulatively for the year 2021, which also reflects the unrecognized interest income out of the related finance lease receivables throughout the year.

The use of CLA triggered by full or partial write-offs of finance lease receivables is reported in column 'Write-offs'.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across impairment stages. The year-end GCA of finance lease receivables that were assigned at 31 December 2021 to a different stage compared to 1 January 2021 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

in EUR million	Dec 20	Dec 21
Transfers between Stage 1 and Stage 2		
To Stage 2 from Stage 1	421	155
To Stage 1 from Stage 2	36	146
Transfers between Stage 2 and Stage 3		
To Stage 3 from Stage 2	40	10
To Stage 2 from Stage 3	1	3
Transfers between Stage 1 and Stage 3		
To Stage 3 from Stage 1	47	15
To Stage 1 from Stage 3	6	12

The year-end total GCA of the finance lease receivables that were initially recognized during the reporting period and not fully de-recognized by 31 December 2021 amounts to EUR 1,085.9 million (2020: EUR 1,026.9 million). The GCAs of the finance lease receivables that were held at 1 January 2021 and fully de-recognized during the year 2021 amounts to EUR 410.7 million (2020: EUR 390.3 million).

Operating leases

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

Maturity analysis of lease payments from operating leases

in EUR million	Dec 20	Dec 21
< 1 year	175	176
1-2 years	115	121
2-3 years	98	96
3-4 years	73	79
4-5 years	58	63
> 5 years	122	94
Total	641	630

During 2021, Erste Group recognised income relating to variable lease payments in the amount of EUR 4.7 million (2020: EUR 4.5 million). For information about rental income please refer to Note 7 Rental income from investment properties and other operating leases.

Leases where the Group is a lessee

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

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability and also includes other elements such as initial direct costs incurred by the lessee. Subsequently, the right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. Erste Group uses the straight-line method of depreciation. The right-of-use assets are presented on the balance sheet as part of 'Property and equipment' or, if they are subleased to third parties, for operating leases as part of 'Investment properties' and for finance leases as a 'Finance lease receivable'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the lessee's incremental borrowing rate. Lease payments comprise fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee. Additionally, the exercise price under a purchase option and lease payments in an optional renewal period are considered if the lessee is reasonably certain to exercise the options. Extension and termination options are included in a number of real estate leases across Erste Group. The use of extension and termination options gives Erste Group added flexibility in case more suitable premises in terms of costs and/or location are identified or in case it is considered favourable to remain in a location beyond the original lease term.

Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. The incremental borrowing rate for movables consists of Euribor as a base rate, adjusted by a surcharge based on the entity's rating, the amount of funds borrowed, the term of the lease and the collateral provided. The determination of the incremental borrowing rate for property leases is based on two components, the market rate and the single property rate. The market rate considers the lease term, creditworthiness and the base rate Euribor and is derived from existing bank data. The single property rate represents a surcharge to the market rate based on the quality of the single property. On the balance sheet the lease liabilities are presented in the line item 'Lease liabilities'.

Erste Group primarily rents real estates such as buildings and land for headquarters, branches and parking lots. In addition, movables such as IT equipment and ATMs are rented for business operations. For details related to right of use assets capitalized in balance sheet arising from leases where Erste Group is lessee, please see Note 38 Property, plant and equipment.

Maturity analysis of lease liabilities based on undiscounted cash flows

in EUR million	Dec 20	Dec 21
< 1 year	91	85
1-5 years	285	294
> 5 years	222	243
Total	598	622

During 2021, interest expenses on lease liabilities were recognised in the amount of EUR 7.2 million (2020: EUR 7.0 million). In addition expenses in the amount of EUR 4.2 million (2020: EUR 4.1 million) relating to short term leases and expenses amounting to EUR 7.5 million (2020: EUR 5.3 million) relating to leases of low value items, for which the recognition exemption of IFRS 16 applies, were recognised. Gains arising from sale and leaseback transactions in the amount of EUR 7.9 million (2020: EUR 0.8 million) were recognised. Total cash outflow for leases in 2021 was EUR 111.3 million (2020: EUR 105.7 million).

The Erste Group leases an office building and subleases it. The sublease is classified as finance lease because it is for the whole of the remaining term of the head lease.

During 2021, income from subleasing right-of-use assets was recognised in the amount of EUR 2.5 million (2020: EUR 3.5 million).

Erste Group has commitments for future cash outflows which are not reflected in the measurement of lease liabilities as of 31 December 2021. The total undiscounted cash flow amounts to EUR 0.1 million (2020: EUR 71.7 million).

Accruals, provisions, contingent liabilities and legal proceedings

41. Other liabilities

in EUR million	Dec 20	Dec 21
Deferred income	117	106
Sundry liabilities	2,115	2,410
Other liabilities	2,232	2,516

Deferred income outstanding at 31 December 2021 includes 'contract liabilities' in accordance with IFRS 15 in amount of EUR 101 million (2020: EUR 109 million). Revenue recognised in the reporting year 2021 that was included in the contract liability balance at the beginning of the period amounts to EUR 48 million (2020: EUR 39 million).

The item 'Sundry liabilities' mainly contains outstanding settlement liabilities as well as other liabilities from employee benefits.

42. Provisions

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

Defined employee benefit plans

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

In Austria, the defined benefit pension plans relate largely to retired employees. The pension obligations for current employees were transferred to external pension funds. Remaining with Erste Group is a defined benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect and for those former employees who retired only in 1999 but remained entitled to a direct pension from Erste Group under individual agreements. Also included are entitlements to resulting survivor pensions. In addition, an already closed plan for a small number of active entitled employees exists entitling them to defined benefits from Erste Group upon reaching pension age.

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

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

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

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

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

The liability recognised under a defined benefit plan represents the present value of the defined benefit obligation less the fair value of the plan assets available for the direct settlement of obligations. For all plans, the present value of the obligation exceeds the fair value of the plan assets. The resulting defined benefit liability is reported on the balance sheet under the line item 'Provisions'. At Erste Group, the plan

assets consist of qualifying insurance policies purchased to back severance and jubilee benefit provisions. Plan assets for pension provision are held by a long-term employee benefit fund.

Remeasurements consist of actuarial gains and losses on the defined benefit obligations and the return on plan assets. Remeasurements of pension and severance defined benefit plans are recognised as accumulated OCI in equity specifically under 'Remeasurement of defined benefit plans' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Remeasurement of defined benefit plans'. Remeasurements of jubilee defined benefit plans are recognised in the statement of income under the line item 'Personnel expenses'.

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

Financial guarantees

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

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

If Erste Group is a guarantee holder, the treatment depends on whether the financial guarantee is considered as integral to the contractual terms of financial assets whose risk is guaranteed. Erste Group considers as integral those guarantees which are entered into at or close to the inception of the guaranteed financial assets. If the bank has in a loan contract an option to require provision of a guarantee, it is also 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.

Financial guarantees which are not considered integral are recognised as reimbursement assets under 'Other assets' in the balance sheet. In the statement of income they reduce the impairment loss incurred on guaranteed financial assets under 'Impairment result from financial instruments'. A precondition for this treatment is that it must be virtually certain that the guarantee would reimburse the bank for the loss. Premiums paid for non-integral financial guarantees are presented in the statement of income under the line item 'Fee and commission expense' under 'Net fee and commission income'.

Significant accounting judgements, assumptions and estimates

Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Further details on provisions for off-balance credit risk exposures are explained in Note 34 Credit risk. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 43 Contingent liabilities.

in EUR million	Dec 20	Dec 21
Long-term employee provisions	1,042	951
Pending legal issues and tax litigation	359	332
Loan commitments and financial guarantees given	399	464
CLA for loan commitments and financial guarantees in Stage 1	83	113
CLA for loan commitments and financial guarantees in Stage 2	211	228
CLA for loan commitments and financial guarantees in Stage 3	102	111
CLA for loan commitments and financial guarantees - POCI	2	12
Other provisions	282	239
Provisions for onerous contracts	3	3
Other	279	237
Provisions	2,082	1,986

Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Present value of long-term employee benefit obligations – Dec 17	700	431	88	1,219
Present value of long-term employee benefit obligations – Dec 18	750	445	97	1,292
Present value of long-term employee benefit obligations – Dec 19	791	497	113	1,400
Settlements/curtailments	2	0	0	1
Service cost	1	12	8	22
Interest cost	8	5	1	14
Payments	-64	-43	-5	-112
Exchange rate difference	-3	0	0	-4
Other changes	0	0	0	0
Actuarial gains/losses recognised in OCI				
Adjustments in financial assumptions	33	26	0	59
Adjustments in demographic assumptions	0	0	0	0
Experience adjustments	7	-5	0	2
Actuarial gains/losses recognised in PL				
Adjustments in financial assumptions	0	0	5	5
Adjustments in demographic assumptions	0	0	0	0
Experience adjustments	0	0	-2	-2
Present value of long-term employee benefit obligations – Dec 20	774	493	119	1,386
Obligations covered by plan assets	28	251	65	344
Obligations covered by provisions	746	242	54	1,042
Less fair value of plan assets	28	251	65	344
Provisions – Dec 20	746	242	54	1,042
Present value of long-term employee benefit obligations – Dec 20	774	493	119	1,386
Settlements/curtailments	0	0	0	0
Service cost	1	12	8	22
Interest cost	5	3	1	8
Payments	-60	-41	-5	-107
Exchange rate difference	3	0	0	3
Other changes	6	-1	0	5
Actuarial gains/losses recognised in OCI				
Adjustments in financial assumptions	-6	-11	0	-17
Adjustments in demographic assumptions	0	0	0	0
Experience adjustments	-4	-7	0	-11
Actuarial gains/losses recognised in PL				
Adjustments in financial assumptions	0	0	-3	-3
Adjustments in demographic assumptions	0	0	0	0
Experience adjustments	0	0	-5	-5
Present value of long-term employee benefit obligations – Dec 21	720	447	115	1,282
Obligations covered by plan assets	34	234	64	332
Obligations covered by provisions	686	213	51	951
Less fair value of plan assets	34	234	64	332
Provisions – Dec 21	686	213	51	951

Actuarial assumptions

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

in %	Dec 20	Dec 21
Interest rate	0.50	1.05
Expected increase in retirement benefits	2.00	2.40

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

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

in %	Dec 20	Dec 21
Interest rate	0.50	1.05
Average increase in salary (incl. career trend and collective agreement trend)	2.90	3.30

The interest rate applied for the calculation of the long-term employee provisions is derived from the yield of a portfolio of AA-rated corporate bonds. For this purpose the weighted average yield of the underlying portfolio with a corresponding duration is determined.

For the non-Austrian subsidiaries and branches interest rates between 0.3% (2020: 0.01%) and 4.5% (2020: 3.7%) were used. The legal retirement age is in a range between 60 years for women and 65 years for men.

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

Investment strategy

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

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

For the yearly pension payments of the unfunded defined benefit plans and the unfunded part of severance payments Erste Group generally takes care within its asset-liability management strategy covering the funding plan and interest rate risk position of the Group. The payments for 2022 are expected with EUR 78 million (2021: EUR 79 million) for both plans.

Movements in plan assets

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Fair value of plan assets – Dec 19	27	258	62	347
Addition	0	0	0	0
Interest income on plan assets	0	2	1	3
Contributions by the employer	0	26	9	35
Benefits paid	-3	-31	-5	-40
Actuarial gains/losses recognised in OCI	3	-4	0	-1
Actuarial gains/losses recognised in PL	1	0	0	1
Fair value of plan assets – Dec 20	28	251	65	344
Addition	2	0	0	2
Interest income on plan assets	1	1	0	2
Contributions by the employer	0	14	5	20
Benefits paid	-1	-30	-8	-38
Actuarial gains/losses recognised in OCI	3	-2	1	1
Actuarial gains/losses recognised in PL	0	0	0	0
Fair value of plan assets – Dec 21	34	234	64	332

In 2022, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 8.0 million (2021: EUR 9.0 million). The contributions shown in the table include not only regular contributions but also one-time payments at the end of the year. The total gain on plan assets amounted to EUR 3.5 million (2021: gain EUR 2.8 million).

Control and risk

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

Asset allocation in the different asset classes

in EUR million	Dec 20					Dec 21				
	Europe-EMU	Europe-non EMU	USA	Other countries	Total	Europe-EMU	Europe-non EMU	USA	Other countries	Total
Cash and cash equivalents					105					50
Equity instruments	1	1	22	8	32	1	1	27	9	38
Investment-grade bonds										
Government	1	0	0	0	1	2	0	1	9	12
Non-government bonds	13	4	4	2	22	8	7	4	7	26
Non-investment-grade bonds										
Government	2	0	0	0	2	2	0	0	5	7
Non-government bonds	101	20	8	38	167	88	30	29	49	196
Alternatives										
Commodities	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Derivatives (market risk)										
Interest rate risk	0	0	0	0	0	0	0	0	0	0
Credit risk	0	0	0	0	0	0	0	0	0	0
Equity price risk	0	0	0	0	0	0	0	0	0	0
Foreign exchange risk	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	15	0	0	0	0	4
Plan assets	0	0	0	0	344	0	0	0	0	332

In the table above, Investment-grade refers to BBB and above. The plan assets shown in the table above include mainly assets that are quoted and traded on active markets. As of 31 December 2021, the plan assets did not include material amounts of securities issued by the Group or other claims upon it. Moreover none of the mortgage securities used by the Group are included.

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

in EUR million	Dec 20	Dec 21
Settlements/curtailments	-1	0
Service cost	-22	-22
Net interest	-11	-6
Total	-35	-28

Settlements and curtailments as well as service costs are included in the income statement in the line item 'Personnel expenses'.

Net interest includes interest expenses for long-term employee benefits as well as the expected return on plan assets. These are disclosed in the income statement in the line item 'Other similar income' and 'Other similar expense' under 'Net interest income'. As of 31 December 2021, the cumulative amount of remeasurement from defined benefit plans, recognised in other comprehensive income amounted to EUR -815.2 million before tax (2020: EUR -843.8 million).

Sensitivity to key assumption

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

in EUR million	Dec 20			Dec 21		
	Pensions	Severance payments	Total	Pensions	Severance payments	Total
Change in discount rate +0.5%	741	466	1,207	689	423	1,112
Change in discount rate -0.5%	809	523	1,332	750	473	1,223
Change in future salary increases +0.5%	774	522	1,296	718	472	1,190
Change in future salary increases -0.5%	774	466	1,240	718	423	1,141
Change in future benefit increases +0.5%	830	493	1,323	768	447	1,215
Change in future benefit increases -0.5%	721	493	1,214	671	447	1,118
Increase in survival rate by approx. 10%	838	493	1,331	778	447	1,225

Impact on cash flows

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

in EUR million	Pensions	Severance payments	Total
2022	57	21	78
2023	54	20	74
2024	51	16	67
2025	48	20	68
2026	45	20	65
2027-2031	183	123	306

Duration

Weighted average duration of the defined-benefit obligations

in years	Dec 20	Dec 21
Pensions	8.86	8.60
Severance payments	11.67	11.31
Total	9.96	9.64

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

Sundry provisions

Movement in credit loss allowances for loan commitments and financial guarantees

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 21						Dec 21
Stage 1	83	202	-76	-127	35	-5	113
Stage 2	211	0	-74	169	-75	-4	228
Stage 3	102	0	-13	30	-6	-1	111
POCI	2	0	-10	0	19	0	12
Total	399	202	-173	71	-26	-10	464
	Jan 20						Dec 20
Stage 1	64	214	-69	-82	-42	-1	83
Stage 2	75	0	-78	174	47	-7	211
Stage 3	151		-45	7	41	-52	102
POCI	3	22	-10	0	-13	-1	2
Total	293	236	-202	99	33	-60	399

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

In the column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related loan commitments and financial guarantees from Stage 1 (at 1 January 2021 or initial recognition date) to Stages 2 or Defaulted at 31 December 2021 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or Defaulted on the related CLAs are adverse and presented in lines attributable to Stages 2 or Defaulted. The effects of transfers from Stages 2 or Defaulted to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'. This column also captures the passage-of-time adverse effect ('unwinding') over the lifetime expected cash shortfalls of defaulted loan commitments and financial guarantees.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different stages. The year-end notional amounts of loan commitments and financial guarantees that were assigned at 31 December 2021 to a different stage compared to 1 January 2021 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

in EUR million	Dec 20	Dec 21
Transfers between Stage 1 and Stage 2	5,321	4,050
To Stage 2 from Stage 1	4,684	1,969
To Stage 1 from Stage 2	637	2,081
Transfers between Stage 2 and Defaulted	72	86
To Defaulted from Stage 2	32	55
To Stage 2 from Defaulted	40	31
Transfers between Stage 1 and Defaulted	65	61
To Defaulted from Stage 1	45	30
To Stage 1 from Defaulted	20	31

The year-end nominal amounts of unused off-balance commitments and financial guarantees that were initially recognized during the year 2021 and not fully de-recognized by 31 December 2021 amounts to EUR 19,193.5 million (2020: EUR 14,165.7 million). The nominal amounts of unused off-balance commitments or financial guarantees that were held at 1 January 2021 and fully de-recognized during the year 2021 amounts to EUR 10,130.0 million (2020: EUR 7,915.1 million).

Sundry provisions 2021

in EUR million	Jan 21	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes	Dec 21
Pending legal issues and tax litigation	359	108	-47	-90	0	2	332
Commitments and guarantees given out of scope of IFRS9	76	62	0	-72	0	14	80
Other provisions	206	29	-33	-43	0	-1	159
Provisions for onerous contracts	3	0	0	0	0	0	3
Other	204	29	-33	-42	0	-1	156
Provisions	641	199	-80	-204	0	15	571
	Jan 20						Dec 20
Pending legal issues and tax litigation	353	37	-8	-17	0	-5	359
Commitments and guarantees given out of scope of IFRS9	17	101	0	-105	0	63	76
Other provisions	202	36	-13	-15	0	-4	206
Provisions for onerous contracts	3	0	-1	0	0	0	3
Other	199	36	-13	-15	0	-4	204
Provisions	571	174	-21	-137	0	54	641

Under position 'Pending legal issues and tax litigation' provisions related to litigations from lending business, asset management or litigations with customer protection associations, which normally occur in banking business, are disclosed. In 2021, the increase of provision for risks related to Romanian Consumer Protection Claims Act was recognized in income statement in amount of EUR 1.2 million (2020: release EUR 6.2 million). The total amount of the provision as of 31 December 2021 was EUR 122.3 million (2020: EUR 122.8 million).

The level of other provisions is the best possible estimate of expected outflow of economic benefits at the reporting date, while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. During 2019 a provision in the amount of EUR 153.3 million was allocated for losses expected from a decision of the Romanian High Court in relation to the business activities of the Romanian building society subsidiary BCR Banca pentru Locuinte SA. (BPL). The related provision is disclosed in line 'Other provisions'. This case is about whether state subsidies had been disbursed to building society clients in accordance with the applicable legal provisions. The provision was determined based on the expected amount that should be returned to the Romanian State, consisting of state premiums, interest and penalties. The duration of these proceeding cannot be estimated reliably. The total amount of the provision as of 31 December 2021 amounted to EUR 126.5 million (2020: EUR 141.6 million).

43. Contingent liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do involve credit risk and are therefore part of the overall risk of the Bank (see Note 34 Credit risk).

Legal proceedings

Erste Group Bank AG and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group or Erste Group Bank AG. Erste Group is also subject to the following ongoing proceedings, some of which, if adversely adjudicated, may have a significant impact on the financial position or profitability of Erste Group or Erste Group Bank AG. Any possible financial impacts of these proceedings are not disclosed, as neither the duration nor the outcome can be reliably estimated and to avoid influencing the outcome of the various proceedings.

Consumer protection claims

Several subsidiaries of Erste Group have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The proceedings mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and principles of general civil law and that certain fees or parts of interest payments charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as to contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions, the legal risks in connection with loans granted in the past are also increased by the enactment of politically-motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, as well as a level of unpredictability of judicial decisions beyond the level of uncertainty generally inherent in court proceedings. The following consumer protection issues are deemed particularly noteworthy.

In Romania, BCR is, aside from being a defendant in a number of individual law suits filed by consumers, among several local credit institutions pursued by the consumer protection authority for allegedly abusive clauses pertaining to pre-2010 lending practices. In connection therewith, BCR is currently a defendant in individual litigation claims filed by the local consumer protection authority, in each case on behalf of a single or several borrowers. Only a part of these cases have so far been finally decided by the courts, only few of them with an

adverse result for BCR and with rather limited impact so far. Adverse judgments on the validity of certain clauses may have the impact of invalidating such clauses also in other similar agreements concluded by BCR with other consumers.

In Croatia, the Supreme Court, in a proceeding initiated by a local consumer protection association against several credit institutions ('Collective Case'), among them Erste Bank Croatia ('EBC'), declared in 2015 that Swiss Franc (CHF) clauses in loan agreements with consumers are valid, but contractual provisions permitting unilateral change of the variable interest rates in CHF denominated consumer loans, used by the majority of credit institutions until 2008, are null and void. In 2016, the Croatian Constitutional Court rescinded the part of the Supreme Court of Croatia decision relating to the validity of CHF clauses. After the case had been returned for a retrial with respect to the CHF clause to the court of second instance, such court delivered its decision in 2018, declaring in essence the nullification of the CHF currency clause, holding that collective and individual consumer rights were breached. However, no specific obligation of the bank was ordered by the verdict. In 2019 the Supreme Court rejected the appeal of the credit Institutions against the 2018 decision. As the subsequent constitutional claim against such decision was rejected by the Constitutional Court in 2021, EBC filed a request to the European Court of Human Rights, as EBC considers that in the proceedings before the national courts its rights granted under the European Convention for the Protection of Human Rights and Fundamental Freedoms have been breached. The impact of the rulings in the Collective case on legal disputes with individual clients related to CHF denominated loan agreements is difficult to predict, especially in light of the laws enacted in 2015 that forced credit institutions to accept requests from clients that are consumers or individual professionals to convert their CHF denominated loans into EUR with retroactive effect. Currently, a case is pending before the European Court of Justice (ECJ) for interpretation of relevant provisions of EU's Directive 93/13, and depending on the ECJ's interpretation of the questions raised in that particular case, such ECJ decision could be relevant for determining whether borrowers who have converted their loans still are entitled to any further claims and compensation.

CSAS minority shareholders claims

Following the completion of a squeeze-out procedure in CSAS resulting in Erste Group Bank AG becoming the sole shareholder of CSAS, some former minority shareholders of CSAS have filed legal actions with the courts in Prague. In the case against CSAS the plaintiffs aim in essence at invalidating the shareholders' resolution approving the squeeze-out. In the proceedings against Erste Group Bank AG the plaintiffs allege in essence that the share price of 1.328 CZK (then approx. EUR 51 per share) paid by Erste Group Bank AG in the squeeze-out of the CSAS minority shareholders in 2018 was unfair and too low and should be increased. In case the courts find there should be an increase, this would affect all minority shareholders squeezed-out. In the squeeze-out performed in 2018 Erste Group Bank AG acquired a total of 1.03% of minority shares for a consideration of approx. EUR 80 million. Erste Group Bank AG views that the purchase price, established by a valuation done by professional external experts, was correct and fair.

Capital instruments, equity and reserves

44. Total equity

in EUR million	Dec 20	Dec 21
Subscribed capital	860	860
Additional paid-in capital	1,478	1,478
Retained earnings and other reserves	12,267	13,424
Owners of the parent	14,604	15,761
Additional equity instruments	2,733	2,236
Non-controlling interests	5,073	5,516
Total	22,410	23,513

As of 31 December 2021, subscribed capital (also known as registered capital) consists of 429,800,000 (2020: 429,800,000) voting bearer shares (ordinary shares). The pro rata amount of registered capital, per no-par value share, was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

Additional equity instruments

In addition Erste Group Bank AG issued additional tier 1 capital (AT1 bonds). AT1 bonds are perpetual and can be cancelled only by the issuer at predetermined dates. The bonds include discretionary non-cumulative coupon payments.

AT1 bonds issued

Nominal value	Currency	Issue	Initial fixed rate	Reset rate after the first call date	Coupon payments	First and subsequent calls dates
500 million	EUR	April 2017	6.5%	5Y swap +6,204%	Semi-annually on 15th April and 15th October	15.04.2024 + coupon dates thereafter
500 million	EUR	March 2019	5,125%	5Y swap +4,851%	Semi-annually on 15th April and 15th October	15.10.2025 + coupon dates thereafter
500 million	EUR	January 2020	3,375%	5Y swap +3,433%	Semi-annually on 15th April and 15th October	15.04.2027 + coupon dates thereafter
750 million	EUR	November 2020	4.25%	5Y swap +4,646%	Semi-annually on 15th April and 15th October	15.10.2027 + coupon dates thereafter

If common equity tier 1 ratio of Erste Group or Erste Group Bank AG falls below 5.125% (i.e. a trigger event occurs) the principal amount will be written down (fully or partially) on a temporary basis. The issuer may, at its sole discretion, write up the amount (fully or partially) provided a positive profit has been recorded and the trigger event no longer exists.

Distributions on own equity instruments

Distributions on own equity instruments are recognised as a liability and deducted from equity when their payment is confirmed. For dividends on common shares the decision is taken by the Annual General Meeting. For coupons on Additional Tier 1 instruments the payouts do not need approvals but an event of non-payment would require a decision of Erste Group Bank AG Board.

Changes in number of outstanding shares

	Dec 20	Dec 21
Shares outstanding as of 1 January	408,127,137	405,470,710
Acquisition of treasury shares	-7,517,744	-9,624,711
Disposal of treasury shares	4,861,317	9,588,711
Shares outstanding as of 31 December	405,470,710	405,434,710
Treasury shares	24,329,290	24,365,290
Number of shares issued as of 31 December	429,800,000	429,800,000
Weighted average number of outstanding shares	426,324,725	426,246,662
Weighted average diluted number of outstanding shares	426,324,725	426,246,662

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

Treasury shares and contracts on treasury shares

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

Transactions and shares held by the management board and supervisory board

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

Shares and related dividends held by management board

Managing board member	Dec 20	Additions	Disposals	Dec 21	Dividends received in 2021 (in EUR)
Spalt Bernhard (Chairman)	10,000	5,000	0	15,000	22,500
Bleier Ingo	3,111	0	0	3,111	4,667
Dörfler Stefan	1,500	0	0	1,500	2,250
Habeler-Drabek Alexandra	72	0	0	72	108
O'Mahony David	0	0	0	0	0
Poletto Maurizio	0	0	0	0	0
Schauffer Thomas (Board member: 1 January until 31 October 2021)	0	815	815	0	1,223

Shares and related dividends held by supervisory board

Supervisory board member	Dec 20	Additions	Disposals	Dec 21	Dividends received in 2021 (in EUR)
Rödler Friedrich (Chairman)	2,502	0	0	2,502	3,753
Homan Jan (1st Vice Chairman)	4,400	0	0	4,400	6,600
Hardegg Maximilian (2nd Vice Chairman)	240	0	0	240	360
Bulach Matthias	0	0	0	0	0
Egerth-Stadlhuber Henrietta	0	0	0	0	0
Gual Solé Jordi	0	0	0	0	0
Haag Markus	176	0	0	176	264
Haberhauer Regina	188	0	0	188	282
Khüny Marion	0	0	0	0	0
Krainer Senger-Weiss Elisabeth	0	0	0	0	0
Lachs Andreas	0	0	0	0	0
Pichler Barbara	309	0	0	309	464
Pinter Jozef	0	0	0	0	0
Santner Friedrich	0	0	0	0	0
Schuster Michael (since 19 May 2021)	0	0	0	0	0
Simor András	0	0	0	0	0
Stack John James (until 19 May 2021)	32,761	0	32,761	0	49,142
Sutter-Rüdissler Michèle F.	0	0	0	0	0
Zeisel Karin	38	0	0	38	57

As of 31 December 2021, supervisory board members did not hold options in Erste Group Bank AG shares. Persons related to members of the management board or supervisory board held 111 shares (2020: 111 shares) of Erste Group Bank AG.

Remaining authorised and contingent capital as of 31 December 2021

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

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

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

Under clause 6.4 of the articles of association, the company has conditional capital of EUR 124,700,000.00 available, which may be utilized by issuing up to 62,350,000 pieces bearer shares. This conditional capital can be used for granting conversion or subscription rights to

holders of convertible bonds. In case the terms and conditions of the convertible bonds provide for a mandatory conversion, it shall also serve to cover the mandatory conversion. The issue price and exchange ratio shall be determined pursuant to a recognized pricing method on the basis of accepted finance-mathematical methods and the share price of the company.

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

45. Non controlling interest

in EUR million	Haftungsverbund Savings Banks, thereof:			
	Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Dec 21				
Country of incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	35	9	11	6
Net result attributable to non-controlling interests	403	56	81	17
Accumulated NCI	4,864	586	1,177	250
Subsidiary-level stand-alone key financial information				
Current assets	29,576	7,737	5,811	1,949
Non-current assets	51,767	8,678	11,509	3,270
Current liabilities	59,673	9,880	14,025	3,906
Non-current liabilities	14,382	5,400	1,508	898
Operating income	1,795	318	377	114
Profit or loss from continuing operations	775	136	224	47
Total comprehensive income	1,018	181	256	76
Dec 20				
Country of incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	2	0	0	0
Net result attributable to non-controlling interests	175	31	44	8
Accumulated NCI	4,480	540	1,096	237
Subsidiary-level stand-alone key financial information				
Current assets	26,874	6,554	5,581	1,522
Non-current assets	48,556	8,341	10,934	3,137
Current liabilities	56,282	9,021	13,192	3,348
Non-current liabilities	12,824	4,904	1,781	964
Operating income	1,665	300	349	109
Profit or loss from continuing operations	297	60	82	20
Total comprehensive income	47	18	29	-2

Scope of consolidation

As at 31 December 2021, Erste Group Bank AG, as parent entity of Erste Group, includes in its IFRS scope of consolidation a total of 335 subsidiaries (31 December 2020: 353). These comprise a total of 49 entities, which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. Alongside Erste Group Bank AG, local savings banks, Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Erste Bank der oesterreichischen Sparkassen AG and Zweite Wiener Vereins-Sparcasse are members of the Haftungsverbund (cross-guarantee system).

In 2014, following the implementation of the new agreements of the cross-guarantee system (please refer to Note 46. Subsidiaries) and the related financial support of the members, an 'ex-ante fund' was established. The fund is managed by a civil law company named IPS GesbR. The assets of the fund – the members of the cross-guarantee system are required to pay into the fund until 31 December 2031 – are bound and can be used solely for the purpose to cover loss events of members of the cross-guarantee system. The company IPS GesbR was included in the scope of consolidation in year 2014.

Additions and disposals 2021. Additions and disposals had no material impact on the financial position and performance of the Group.

At 17 December 2021 Erste Bank Hungary has signed a sale and purchase agreement with Commerzbank AG to acquire 100% of the shares in its Hungarian subsidiary Commerzbank Zrt. Following regulatory approvals, the transaction is expected to materialise in the second half of 2022.

Additions and disposals 2020. Additions and disposals had no material impact on the financial position and performance of the Group.

For further details regarding the scope of consolidation please refer to Note 59 Details of the companies wholly or partly owned by Erste Group as of 31 December 2021.

46. Subsidiaries

A subsidiary is an entity controlled by another entity. All entities directly or indirectly controlled by Erste Group Bank AG are consolidated in the Group financial statements on the basis of their annual accounts as of 31 December 2021, and for the year then ended.

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

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

Non-controlling interests represent those portions of total comprehensive income and net assets that are neither directly nor indirectly attributable to the owners of Erste Group Bank AG. Non-controlling interests are presented separately in the consolidated statement of income, in the consolidated statement of comprehensive income and within equity on the consolidated balance sheet. Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised in equity.

Control

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

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

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

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

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

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

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

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

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

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

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

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

ii. Investment funds under own management

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

iii. Pension funds under own management

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

Business combinations

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

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

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

47. Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an interest in an associate or joint venture is recognised on the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's or joint venture's result is recognised in the consolidated statement of income in line item Net result from equity method investments. The line item contains the result from associates and joint ventures recorded by applying the equity method (measured as the investor's share of profit or loss in the associates and joint ventures). However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2021 and for the year then ended.

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

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

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

Carrying amounts of at equity measured entities

in EUR million	Dec 20	Dec 21
Credit institutions	68	59
Financial institutions	60	77
Others	63	74
Total	190	211

Aggregated financial information of at equity measured entities

in EUR million	Dec 20	Dec 21
Total assets	4,835	4,932
Total liabilities	4,227	4,244
Income	327	388
Profit/loss	31	46

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

Selected equity method investments where the Erste Group has strategic interest

in EUR million	Dec 20			Dec 21		
	Prvá stavebná	Global Payments s.r.o.	VBV - Betriebliche Altersvorsorge AG	Prvá stavebná	Global Payments s.r.o.	VBV - Betriebliche Altersvorsorge AG
Country of Incorporation	Slovakia	Czech Republic	Austria	Slovakia	Czech Republic	Austria
Place of business	Slovakia	Czech Republic	Austria	Slovakia	Czech Republic	Austria
Main business activity	Financing building society	Payment services	Insurance	Financing building society	Payment services	Insurance
Ownership held %	35%	49%	32%	35%	49%	32%
Voting rights held %	35%	49%	29%	35%	49%	29%
IFRS Classification (JV/A)	Associate	Associate	Associate	Associate	Associate	Associate
Reporting currency	EUR	CZK	EUR	EUR	CZK	EUR
Investee's financial information for the reporting year						
Cash and cash balances	1	20	6	1	28	9
Other current assets	171	28	16	159	69	57
Non-current assets	2,779	56	47	2,779	106	48
Current liabilities	657	20	0	2,371	66	0
Non-current liabilities	2,028	9	10	284	25	50
Operating Income	71	36	8	74	43	12
Post-tax result from continuing operations	8	3	7	17	7	13
Total comprehensive income	8	3	7	17	7	13
Depreciation and amortization	-6	-5	0	-6	-6	0
Interest income	89	0	0	93	0	8
Interest expense	-29	-1	0	-30	-1	0
Tax expense/income	-3	-1	0	-6	-1	0
Reconciliation of investee's net assets against equity investment's carrying amount						
Net assets attributable to Erste Group	93	37	19	99	55	21
Accumulated impairment	-28	0	0	-42	0	0
Carrying amount	65	37	19	57	55	21

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

In 2021 carrying amount of Prvá stavebná was impaired in the amount of EUR 13.7 million (2020: reversal of impairment of EUR 17.5 million).

Aggregated financial information of other equity method investments

in EUR million	Dec 20		Dec 21	
	Associates	Joint Ventures	Associates	Joint Ventures
Total comprehensive income	7	7	3	7
Carrying amount	42	27	53	25

48. Unconsolidated structured entities

Interests in structured entities

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

Assessing which entities are structured entities, and which involvements in such entities are interests, may require considerable accounting judgements and assumptions. In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for assessing involvements with investment funds and securitisation vehicles.

For investment funds, Erste Group reached the conclusion that direct Group exposure would typically indicate an interest in these structured entities, irrespective of whether such exposure comes from on-balance financial assets – mostly in the form of units held in such funds, off-balance commitments given or management fees varying in relation to the assets under management (for own-managed funds in general). As described under Note 46 Subsidiaries above, own-managed funds where the Group cumulatively holds less than 20% of the related fund units in issue are not consolidated due to lack of control and thus are subject to specific disclosures for unconsolidated structured entities. Erste Group uses following structured entities in the course of its business activity.

Investment funds

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

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

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

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

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

Securitization vehicles

Erste Group is also involved as an investor in a number of unconsolidated securitization vehicles sponsored and managed by unrelated third parties in foreign jurisdictions. These interests are asset backed securities with the purpose to securitize certain assets, usually loan receivables, into tradeable interest-bearing securities. The securitization vehicles are financed by the issuance of different tranches of asset backed securities. Investors of those securities cover the default risk of the underlying assets. Erste Group is invested in tranches with investment grade, which are measured at fair value on the balance sheet. All investments in unconsolidated securitizations relates to bond investments maturing beyond 1 year. At year end the remaining, weighted average maturity of those debt securities is slightly more than 11.32 years. The interests in securitization vehicles include Collateralized Mortgage Obligations (CMO) and securitized student loans from the US, which will be disposed in the next years.

Others

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

Maximum exposure to unconsolidated structured entities

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

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

in EUR million	Investment Funds			Securitization vehicles			Other	Total
	Own-managed	Third-party managed	Total	Own-managed	Third-party managed	Total		
Dec 21								
Assets								
Debt securities, thereof:	678	143	821	0	39	39	0	861
Financial assets HFT	1	88	89	0	0	0	0	89
at FVPL	677	55	732	0	39	39	0	771
Loans and advances	16	0	16	0	0	0	65	81
Trading derivatives	18	0	18	0	0	0	0	18
Total assets	712	143	855	0	39	39	65	959
thereof impaired	0	0	0	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	700	0	700	0	0	0	0	700
Central and Eastern Europe	12	19	30	0	0	0	65	95
Other jurisdictions	0	125	125	0	39	39	0	164
Liabilities								
Equity instruments	142	0	142	0	0	0	0	142
Debt securities issued	259	0	259	0	0	0	0	259
Deposits	2,022	0	2,022	0	0	0	0	2,022
Trading derivatives	25	0	25	0	0	0	0	25
Total liabilities	2,447	0	2,447	0	0	0	0	2,448
Off balance-sheet commitments	71	0	71	0	0	0	0	71
Dec 20								
Assets								
Debt securities, thereof:	650	79	728	0	41	41	0	770
Financial assets HFT	1	23	24	0	0	0	0	24
at FVPL	648	56	704	0	41	41	0	746
Loans and advances	9	0	9	0	0	0	49	58
Trading derivatives	16	0	16	0	0	0	0	16
Total assets	674	79	753	0	41	41	49	843
thereof impaired	0	0	0	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	644	0	644	0	0	0	0	644
Central and Eastern Europe	30	6	35	0	0	0	49	84
Other jurisdictions	0	73	73	0	41	41	0	115
Liabilities								
Equity instruments	87	0	87	0	0	0	0	87
Debt securities issued	232	0	232	0	0	0	0	232
Deposits	1,994	0	1,994	0	0	0	1	1,995
Trading derivatives	79	0	79	0	0	0	0	79
Total liabilities	2,392	0	2,392	0	0	0	1	2,393
Off balance-sheet commitments	131	0	131	0	0	0	0	131

Other disclosure matters

49. Related-party transactions

In the course of its ordinary business activity Erste Group enters into business relationships with related persons and entities. Shareholders of Erste Group Bank AG are classified as related parties if they have significant influence over Erste Group. In addition, Erste Group also defines as related parties subsidiaries that are controlled but not consolidated due to non-materiality as well as associated entities and joint ventures that are included in the consolidated financial statements by the equity method. Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements as they have been eliminated. Furthermore, related persons consist of key management personnel, i.e. management and supervisory board members of Erste Group Bank AG. Moreover, Erste Group defines close family members of management and supervisory board members of Erste Group Bank AG, as well as companies which are controlled or significantly influenced by management and supervisory board members of Erste Group Bank AG, as other related parties. Banking transactions with related persons and entities are done at arm's length.

Transactions with shareholders of Erste Group Bank AG

Erste österreichische Spar-Casse Privatstiftung

In addition to its shareholding of the subscribed capital of Erste Group Bank AG, there are other factors giving Erste österreichische Spar-Casse Privatstiftung (ERSTE Stiftung) significant influence over Erste Group. As of 31 December 2021, Erste Group had liabilities toward ERSTE Foundation of EUR 29.2 million (2020: EUR 10.7 million). In addition, ERSTE Foundation held bonds issued by Erste Group Bank AG in the amount of EUR 0.2 million (2020: EUR 7.2 million). The mentioned transactions resulted in interest expenses of EUR 0.1 million (2020: EUR 0.2 million). In 2021, ERSTE Foundation received a dividend of EUR 72.5 million (2020: no dividend was distributed) on its shareholding in Erste Group Bank AG.

Under article 15.1 of the articles of association of Erste Group Bank AG, for the duration of its assumption of liability for all current and future debts in the event of default on payment by Erste Group Bank AG, the ERSTE Foundation is entitled, pursuant to Section 92 (9) of the Austrian Banking Act, to delegate up to one-third of the supervisory board members to be elected at the Annual General Meeting of Erste Group Bank AG.

CaixaBank S.A.

On 4 November 2021, CaixaBank S.A. sold its shareholding in Erste Group Bank AG. In 2021, CaixaBank S.A. received a dividend payment in amount of EUR 21.3 million on its shareholding in Erste Group Bank AG.

Transactions with not consolidated subsidiaries, associated entities and joint ventures

Balances and off-balance exposures

in EUR million	Dec 20			Dec 21		
	Subsidiaries, not consolidated	Associated entities	Joint ventures	Subsidiaries, not consolidated	Associated entities	Joint ventures
Financial assets	118.3	531.5	222.8	115.7	535.5	234.6
Equity instruments	84.7	68.0	16.6	83.1	65.2	18.4
Debt securities	0.0	3.8	0.0	0.0	5.5	0.0
Loans and advances	33.6	459.6	206.2	32.7	464.8	216.2
Loans and advances credit institutions	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances customers	33.6	459.6	206.2	32.7	464.8	216.2
of which impaired	0.5	0.0	0.0	0.0	0.0	0.0
Financial liabilities	56.4	127.1	15.7	43.8	168.8	14.3
Deposits	56.4	127.1	15.7	43.8	168.8	14.3
Deposits from banks	0.3	0.0	0.0	0.6	0.0	0.2
Deposits from customers	56.2	127.1	15.7	43.2	168.8	14.1
Other financial instruments						
Loan commitments, financial guarantees and other commitments given (notional amount)	18.4	171.7	59.5	9.2	224.9	100.1
of which defaulted	0.5	0.0	0.0	0.0	0.0	0.0
Loan commitments, financial guarantees and other commitments received (notional amount)	0.6	0.0	0.0	0.0	1.2	0.0
Derivatives (notional amount)	0.0	0.0	0.0	0.0	0.0	0.0
Credit loss allowances and provisions	12.2	0.0	0.0	26.7	-5.0	0.0

Expenses and income

in EUR million	1-12 20			1-12 21		
	Subsidiaries, not consolidated	Associated entities	Joint ventures	Subsidiaries, not consolidated	Associated entities	Joint ventures
Interest income	0.7	5.7	2.8	0.6	6.1	3.1
Fee and commission income	0.0	1.0	0.2	0.0	1.0	0.3
Dividend income	1.0	4.0	0.9	8.1	3.6	1.1
Interest expenses	0.0	-0.3	0.0	0.0	-0.1	0.0
Fee and commission expenses	-1.2	-2.0	0.0	-1.5	-2.7	0.0
Expenses from impairment of financial instruments	-0.1	-1.5	-0.1	-0.3	-0.7	0.0
Impairment result from financial instruments	0.5	0.1	0.0	0.5	0.6	0.0

Transactions with key management personnel

Remuneration of management and supervisory board members

The following table shows total remuneration of the members of the management and supervisory board according to IAS 24.17. The expenses according to IAS 24 were recognized on an accrual basis in line with the respective rules of the underlying standards IAS 19 and IFRS 2. The amounts disclosed correspond to the estimated disbursement as of the balance sheet date and may deviate from the ones which will be finally paid.

in EUR million	1-12 20			1-12 21		
	Management board	Supervisory board	Total	Management board	Supervisory board	Total
Short-term employee benefits	6.0	1.6	7.6	6.5	1.6	8.1
Post-employment benefits	0.9		0.9	0.8		0.8
Other long-term benefits	0.0		0.0	1.6		1.6
Share-based payment	4.4		4.4	4.8		4.8
Total	11.3	1.6	12.9	13.7	1.6	15.3

Short-term employee benefits. Under this category salaries, benefits in kind, social security contributions and other short-term benefits are included. Further, this category includes variable remuneration to be settled in cash within one year. Disclosed remuneration for supervisory board members comprises supervisory board compensation, meeting fees as well as remuneration for board functions in fully consolidated subsidiaries.

Post-employment benefits. The members of the management board participate in the defined contribution pension plan of Erste Group according to the same principles as the employees of the Group (see Note 42 Provisions). Post-employment benefits shown in the table above contain contribution payments to pension schemes and to severance schemes ('Mitarbeiter-Vorsorgekasse').

Other long-term benefits. This category includes variable remuneration to be settled in cash, but payable - deferred over several years - only after one year. In addition, net allocations to provisions for jubilee payments (see Note 42 Provisions) are also reported under this category.

Share-based payment transactions. Expenses for variable share-based payments are disclosed under this line (refer to Note 50 Share-based payments, Share-based payment for the management board of Erste Group Bank AG).

On 31 December 2021 the outstanding amount of liability for variable remuneration towards members of the management board amounts to EUR 12.9 million (2020: EUR 8.7 million). This amount includes liabilities resulting from the Share-based Payment Program for the management board of Erste Group Bank AG (for the performance year 2021 for the first time) and liabilities from unpaid deferred tranches from the Phantom Shares Program (for performance years up to 2020). For further details please refer to Note 50 Share-based payments.

The members of the management board of Erste Group were granted a remuneration of 0.5% (2020: 0.4%) of the total personnel expenses for their activities in the financial year 2021.

In 2021, EUR 4.7 million (2020: EUR 9.2 million) was paid in cash and EUR 83,868 (2020: EUR 83,569) share-equivalents were assigned to former board members and their dependents.

Banking transactions with key management personnel

As of the end of 2021, loans and advances granted to members of the management board and supervisory board totalled EUR 1.1 million (2020: EUR 1.4 million). Deposits of members of the management board and supervisory board at Erste Group amounted to EUR 3.0 million (2020: EUR 47.1 million) in total. Members of the management and supervisory board held bonds issued by Erste Group EUR 0.1 million (2020: EUR 0.4 million). Loan commitments and financial guarantees, issued in favour of members of the management and supervisory board totalled EUR 0.5 million (2020: EUR 0.7 million) as of the end of 2021. From banking transactions with members of the management board and supervisory board Erste Group received interest income and fee income of EUR 0.0 million (2020: EUR 0.1 million) in total.

Transactions with other related parties

Loans and advances to close family members of key management employees and companies over which key management employees have control or significant influence (hereinafter referred to 'other related parties') totalled EUR 46.0 million (2020: EUR 60.8 million) as of 31 December 2021. As of the end of 2021, deposits of other related parties at Erste Group amounted to EUR 88.0 million (2020: EUR 11.8 million) in total. Loan commitments and financial guarantees, issued in favour of other related parties totalled EUR 23.0 million (2020: EUR 0.1 million) as of the end of 2021. From banking transactions with other related parties Erste Group received interest income and fee income of EUR 1.5 million (2020: EUR 1.1 million) in total, and paid interest and fee expenses of EUR 0.1 million (2020: EUR 0.0 million).

The applicable interest rates and other terms (maturity dates and collateral) represent market conditions.

50. Share-based payments

The total expense recognised during the reporting period arising from share-based payment transactions amounts to EUR 38.9 million, thereof EUR 16.1 million relate to equity-settled share-based payment transactions. At the end of the reporting period the liability arising from share-based payment transactions amounts to EUR 45.1 million (2020: EUR 43.5 million). The intrinsic value of the liability is EUR 52.1 million.

Share-based payment for the management board of Erste Group Bank AG

In 2021, a new remuneration plan in shares applies to the executive board of Erste Group Bank AG. The plan comprises short-term and long-term variable remuneration components. The total amount of variable compensation is determined in the following year by a resolution of the supervisory board.

Upfront share-based remuneration. 20% of the bonus will be converted into shares on the date of this supervisory board resolution and is transferred to the participant's securities deposit after one year.

Deferred share-based remuneration. 30% of the bonus is converted into performance share units (PSUs) on the day of the supervisory board resolution using the average share price of the last 30 trading days. A PSU represents an unsecured, conditional right to receive shares of Erste Group Bank AG in the future. In the following five years, the initial number of PSUs is adjusted in a range from 120% to 0% to the group's performance based on performance criteria, which are determined by the supervisory board. The final number of PSUs corresponds to the number of shares, which is transferred to the participant's securities deposit after a retention period of another year.

The awarded shares and PSUs are equity-settled share-based payments that vest by the end of the performance year. The determination of the grant date requires an assessment of all the circumstances. As the supervisory board has significant discretionary powers in connection with the assessment of the performance in the performance year, the grant is made with the resolution of the supervisory board on the bonus awarded for the past performance year.

For the performance year 2021, it is expected that 26,012 shares and 39,019 PSUs will be granted to participants. The fair value of PSUs on the measurement date is calculated based on a Monte Carlo simulation model considering the achievement level of Erste Group performance over the next five years and the share price of Erste Group Bank AG. The estimated fair value on the balance sheet date is EUR 2.4 million. Personnel expenses of EUR 2.4 million and a corresponding retained earnings reserve was recognised.

Phantom shares program

Erste Group grants selected employees every year a bonus for services rendered in the past year (vesting period). If the individual bonus exceeds a certain limit, the final payout amount of at least 25% depends on the development of the average, volume-weighted, daily price of Erste Group shares in subsequent years (phantom share program). The program applies to Erste Group entities in different countries, with different amounts and share equivalents. The share equivalents (phantom shares) are divided into several tranches, which differ in the duration of the observation period for the development of the Erste Group share price.

The phantom share program meets the criteria for cash-settled share-based payments in accordance with IFRS 2.

The estimated fair value of variable compensation for share equivalents is recognised in profit or loss. The liability for stock equivalents that have not yet been paid out is continuously measured at fair value until payment is made. Fair value changes and changes of the final allocation in subsequent years are recognised in profit or loss. To determine the fair value, the number of share equivalents not yet paid out as at the balance sheet date is multiplied by the estimated average price of Erste Group shares for the respective payout year. The fair values of the share equivalents for the respective payout year are determined using an option pricing model (Black-Scholes model). The main parameters are the share price of the Erste Group share on the balance sheet date and the dividend payments expected until payment.

For 2021, it is expected that 221,422 share equivalents with a fair value of EUR 8.7 million will be granted to eligible employees. The total expense recognised in the reporting period for the phantom share program amounts to EUR 22.9 million, the carrying amount of the liability

as at the balance sheet date is EUR 45.1 million (2020: EUR 43.5 million). The intrinsic value of the liability from unpaid share equivalents is 52.1 million.

Employee share program

Employees, who had an active employment relationship with Erste Group for at least 6 months on the balance sheet date, will receive free shares of Erste Group Bank AG in an amount equivalent to EUR 350 net, provided that the Annual General Meeting of 2022 decides to distribute dividends. The expected number of free shares, which are granted under this program for the period, is 384,721. Based on the number of entitled employees, personnel expenses in the amount of EUR 13.6 million were recorded and a corresponding reserve in retained earnings was created.

51. Fees of the Auditors

The following table contains fees charged by the auditors of Erste Group Bank AG and subsidiaries for the financial years 2021 and 2020; the auditors being Sparkassen-Prüfungsverband (auditing agency) and Price Waterhouse Coopers. The values for PricewaterhouseCoopers comprise the services of 'PwC Wirtschaftsprüfung GmbH' as well as the PwC network.

in EUR million	Dec 20	Dec 21
Statutory audit of financial statements/consolidated financial statements	12.5	13.2
Audit fees - PwC	5.3	5.5
Audit fees - Sparkassen-Prüfungsverband	7.2	7.6
Other assurance services	2.5	2.9
Other assurance services - PwC	1.5	1.6
Other assurance services - Sparkassen-Prüfungsverband	1.0	1.3
Tax consulting	0.0	0.0
Tax consulting - PwC	0.0	0.0
Tax consulting - Sparkassen-Prüfungsverband	0.0	0.0
Other services	0.2	0.2
Other services - PwC	0.2	0.2
Other services - Sparkassen-Prüfungsverband	0.0	0.0
Total	15.2	16.3

The Sparkassen-Prüfungsverband (Austrian Savings Bank Auditing Association) provided audit services for an amount of EUR 1.8 million (2020: EUR 1.7 million) to Erste Group Bank AG and EUR 5.7 million (2020: EUR 5.3 million) for the subsidiaries. For other assurance services EUR 0.0 million (2020: EUR 0.0 million) were charged to the subsidiaries of Erste Group Bank AG while EUR 0.0 million (2020: EUR 0.0 million) is the amount for other services provided to the subsidiaries. The amounts in the table above include also fees for services provided by SPV Wirtschaftsprüfungsges.m.b.H.

The auditor 'PwC Wirtschaftsprüfung GmbH' provided audit services to Erste Group Bank AG for EUR 1.1 million (2020: EUR 1.0 million) and to the subsidiaries for EUR 0.6 million (2020: EUR 0.7 million). An amount of EUR 4.0 million (2020: EUR 3.6 million) was charged for audit services of the PricewaterhouseCoopers network to the subsidiaries.

The total amount for other assurance services provided by 'PwC Wirtschaftsprüfung GmbH' is EUR 0.3 million (2020: EUR 0.3 million).

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

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

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

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

in EUR million	Dec 20	Dec 21
Assets held for sale	212	73
Liabilities associated with assets held for sale	1	0

As of the end of 2021, 'Assets held for sale' include mainly land and buildings in amount of EUR 24.1 million (2020: EUR 163.1 million).

Fair values and fair value hierarchy

in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Dec 21					
Assets for which the FV is presented in the balance sheet					
Assets held for sale	2	3	0	0	3
Dec 20					
Assets for which the FV is presented in the balance sheet					
Assets held for sale	129	131	0	0	131

Assets held for sale, which consist mainly of property, are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell. The fair values are determined by experts with recognised and relevant professional qualification.

The book value related to assets held for sale for which no disclosure according to IFRS 13 is required amounts to EUR 71 million (2020: EUR 49 million) as of 31 December 2021. The corresponding fair value amounts to EUR 86 million (2020: EUR 66 million).

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

Assets and liabilities not denominated in EUR

in EUR million	Dec 20	Dec 21
Assets	101,321	115,244
Liabilities	78,535	93,626

Assets and liabilities outside Austria

in EUR million	Dec 20	Dec 21
Assets	152,875	168,571
Liabilities	117,457	134,296

Return on assets (net profit for the year divided by average total assets) was 0.82% at 31 December 2021 (2020: 0.39%).

54. Analysis of remaining maturities

Expected remaining maturities of assets and liabilities

in EUR million	Dec 20		Dec 21	
	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	35,839	0	45,495	0
Financial assets HFT	2,745	3,611	3,945	2,528
Derivatives	925	2,029	808	1,455
Other financial assets held for trading	1,820	1,582	3,138	1,072
Non-trading financial assets at FVPL	1,017	2,066	1,117	2,007
Equity instruments	22	325	9	323
Debt securities	984	1,065	1,090	885
Loans and advances to customers	12	675	18	790
Financial assets at FVOCI	1,710	6,809	1,111	7,771
Equity instruments	-34	164	-12	144
Debt securities	1,744	6,645	1,123	7,626
Financial assets at AC	50,853	160,088	52,485	177,156
Debt securities	3,779	25,800	3,543	32,008
Loans and advances to banks	20,299	1,167	18,765	2,227
Loans and advances to customers	26,775	133,120	30,177	142,922
Finance lease receivables	471	3,657	472	3,737
Hedge accounting derivatives	104	101	17	61
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	5	0	-4
Property and equipment	0	2,552	0	2,645
Investment properties	0	1,280	0	1,344
Intangible assets	0	1,359	0	1,362
Investments in associates and joint ventures	0	190	0	211
Current tax assets	175	0	135	0
Deferred tax assets	0	460	0	562
Assets held for sale	212	0	73	0
Trade and other receivables	1,302	39	2,083	70
Other assets	611	140	934	111
Total Assets	95,037	182,356	107,867	199,561
Financial liabilities HFT	925	1,700	1,058	1,416
Derivatives	788	1,250	733	891
Other trading liabilities	137	451	325	525
Financial liabilities at FVPL	2,168	9,923	2,671	7,793
Deposits	144	110	429	66
Debt securities issued	1,844	9,813	2,052	7,727
Other financial liabilities	180	0	191	0
Financial liabilities at AC	164,170	70,955	185,750	79,665
Deposits from banks	5,120	19,651	12,542	19,344
Deposits from customers	155,521	35,295	167,837	42,192
Debt securities issued	3,033	15,987	4,244	18,108
Other financial liabilities	496	22	1,128	21
Lease liabilities	65	495	61	527
Hedge accounting derivatives	167	22	231	79
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	704	1,378	563	1,423
Current tax liabilities	58	0	144	0
Deferred tax liabilities	0	20	0	19
Liabilities associated with assets held for sale	1	0	0	0
Other liabilities	1,684	547	1,860	656
Total Liabilities	169,943	85,040	192,339	91,576

55. Events after the balance sheet date

In January 2022 the Austrian National Assembly decided an ecosocial tax reform which includes a gradual reduction in corporate tax rates from 25% to 23% (2023: 24%, from 2024: 23%). As the approval of the tax reform was taking place after the balance date, the Austrian deferred tax assets and liabilities as at 31 December 2021 were still calculated with a fixed corporate income tax rate of 25%. The application of the reduced corporate tax rates (2023: 24%, from 2024: 23%) would result in lower deferred tax assets in the amount of approximately EUR 16 million.

At 27 February 2022, the European Central Bank (ECB) has assessed that Sberbank Europe AG and its two subsidiaries in the banking union, Sberbank d.d. in Croatia and Sberbank banka d.d. in Slovenia, are failing or likely to fail. As a consequence, the possible activation of national or European deposit insurance and resolution systems might have financial impacts on Erste Group. Any resulting financial effects cannot be assessed at the current point in time.

56. Country by country reporting

Starting with 2014 Erste Group publishes information about Group's country by country relevant activities as required by Article 89 of the EU Capital Requirements Directive IV.

in EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Dec 21				
Austria	3,660	1,117	-166	-101
Croatia	399	179	-30	-4
Czech Republic	1,444	550	-154	-145
Hungary	501	217	-26	-14
Romania	765	402	-65	-41
Serbia	118	34	-1	-1
Slovakia	621	346	-75	-85
Other locations	234	89	-8	-2
Total	7,742	2,933	-525	-391
Dec 20				
Austria	2,968	-4	-120	-112
Croatia	373	51	-1	-20
Czech Republic	1,627	641	-100	-180
Hungary	481	139	-19	-18
Romania	732	265	-52	-50
Serbia	108	26	1	-1
Slovakia	622	199	-41	-55
Other locations	243	51	-10	-3
Total	7,155	1,368	-343	-439

For information regarding the country of residence of each fully consolidated entity refer to Note 59 Details of the companies wholly or partly owned by Erste Group as of 31 December 2021.

Information about the geographical split of the average number of headcounts employed in Erste Group throughout 2021 is disclosed in Note 8 General administrative expenses.

57. Interest Rate Benchmark Reform

On 31 December 2021 publication of the CHF, GBP, JPY LIBOR rates for all tenors and USB LIBOR rates for 1-week and 2-month tenors was ceased. Remaining USD LIBOR rates representing the more liquid tenors (overnight, 1-month, 3-month, 6-month, 12month) will be ceased on 30 June 2023.

Regarding other IBOR-linked financial instruments, Erste Group considers that EURIBOR interest rates which have been reformed and are EU Benchmark Regulation compliant are not currently affected. Also, other local IBOR rates used in Erste Group member countries are considered not to be affected (Pribor for CZK, Bubor for HUF, Robor for RON, Belibor for RSD).

Erste Group started to prepare for the end of LIBOR in 2019 when a group-wide impact analysis was conducted. As most of the LIBOR exposure is located in Austria a dedicated project covering all Austrian entities under the sponsorship of group ALM was started in early 2020. CEE entities set up their own projects/initiatives led by the local ALM departments supported and overseen by group ALM. Within the implementation, impacts on accounting, risk management and valuation, systems and operations, funds transfer pricing, contracts, communication measures were assessed and measures planned. For LIBOR rates ceased on 31 December 2021 these changes have been executed by this date.

LIBOR-based new business has been stopped since April 2021 (in GBP) and since July (in CHF and JPY). New business in USD LIBOR was allowed until the end of 2021. New alternative reference rates (ARR) are licensed and systems are ready for new ARR-linked business. Fallback plans related to establishing processes for interest benchmark replacements have largely been updated by 2021 end with some CEE countries to follow in Q1 2022. Regarding USD LIBOR the amendment of fallback language in contracts is in progress.

ARRs replacing LIBOR are overnight rates. There are significant differences between the LIBOR and ARR. LIBOR is a 'term rate' published at a start of a borrowing period with certain tenor (such as 3 months), i.e. it is 'forward-looking'. ARR are generally overnight 'backward-looking' rates resulting from actual transactions. Following ARR are in place for the respective currencies:

- _ SOFR (Secured Overnight Financing Rate) for USD
- _ SONIA (Sterling Overnight Index Average) for GBP
- _ SARON (Swiss Average Rate Overnight) for CHF
- _ TONAR (Tokyo Overnight Average Rate) for JPY

LIBOR rates in general include a credit spread component reflecting the riskiness of lending on the interbank market for the respective tenors. As a result, the ARRs, when replacing LIBOR rates, must include a spread adjustment to ensure economic equivalence addressing the tenor, credit risk and other differences.

For USD, GBP and JPY also forward-looking term rates are available. They are derived from interest rate derivative markets indexed to the overnight ARRs. They are mandatorily applied in the consumer protected loan business of Erste Group where the rates have to be known at the beginning of interest periods.

For CHF forward-looking term rates are not available. Commission Implementing Regulation (EU) 2021/1847 stipulates statutory replacement rates in the area of consumer, mortgage and small business floating rate loans with CHF LIBOR reference rates to which Erste Group is significantly exposed. 1-month CHF LIBOR rates are replaced by 1-month SARON compound rate, as observed over the 1-month period preceding the interest period and 3-month, 6-month and 12-month CHF LIBOR rates by 3-month SARON Compound Rate, as observed over the 3-month period preceding the interest period (including adjustment spreads).

Regarding the accounting treatment of the interest rates replacement a practical expedient has been provided by the Interest Rate Benchmark Reform – Phase 2 amendments of IFRS 9 issued in August 2020. It requires that changes in the rates resulting from the interest rate benchmark reform are reflected by adjusting the effective interest rate of the instruments. No immediate gain or loss is recognized. This expedient is only applicable to changes that are required by interest rate benchmark reform, i.e. and only if:

- _ the change is necessary as a direct consequence of interest rate benchmark reform; and
- _ the new basis for determining the contractual cash flows is economically equivalent to the previous basis (including a fixed spread necessary to compensate for the basis difference between the LIBOR rates and the ARR rates).

The LIBOR rate replacements for ARRs in Erste Group business qualify for application of this practical expedient.

Volume of LIBOR-linked financial instruments which have transitioned to the new ARRs by 2021

in EUR million	Financial assets Carrying amount	Financial liabilities Carrying amount	Derivatives Notional amount
CHF LIBOR	2,267	12	428
GBP LIBOR	1	9	26
JPY LIBOR	94	2	50

Note: this table shows positions that

- _ were technically switched in the systems before the year-end to the new RFRs for the next repricing (including bilaterally amended contracts); or
- _ were switched in the systems as part of an automated transition process in the first days of January 2022.

Volume of LIBOR-linked financial instruments held on 31 December 2021 which are yet to transition to the new ARRs

in EUR million	Financial assets			Financial liabilities			Derivatives
	Loans and advances to customers	Loans and advances to banks	Debt securities	Deposits from customers	Deposits from banks	Debt securities issued	Notional amount
	Carrying amount			Carrying amount			
CHF LIBOR	0	0	0	0	0	0	1,991
GBP LIBOR	33	17	1	0	0	0	34
USD LIBOR	2,837	470	870	241	86	0	4,667

Note: this table shows positions that were not switched technically in the systems before year-end to the new RFRs for the next repricing basis and the switch requires manual input either because:

- _ as of year-end there was no automated fallback process set up yet (e.g. positions affected by the ISDA fallback protocol); or
- _ an external input is needed to implement the conditions of the switch (e.g. GBP syndicated loans where the fallback conditions are communicated by the agent or syndicate lead).

Disclosures regarding application of the interest rate benchmark reform in the area of hedge accounting can be found in Note 27 Hedge Accounting.

58. Government grants

A government grant is recognised in Erste Group's financial statements, when there is reasonable assurance that it will be received and that Erste Group will comply with the conditions attached to it. Grants that compensate for the acquisition of assets are presented as deduction from the cost of the related asset and are recognised in profit or loss over the periods and in the proportions, in which depreciation and amortisation expenses on those assets are recognised. Grants that compensate for expenses incurred are presented as deduction of relevant expenses in the period in which the expenses are incurred.

The total amount of government grants recognised in the group adds up to EUR 6.3 million. Out of this total amount, EUR 3.5 million are related to a new investment program in Austria ('Investitionsprämie'), which was offered to support the economy due to the Covid-19 crisis. Using this opportunity, Erste Group invested in tangible and intangible depreciable fixed assets and the government refunded 7% or 14% (in case of digitalisation projects) of the investment. Further, some Austrian entities applied for a reimbursement of the remuneration paid to their employees during quarantine and childcare leave ('Personalkostenzuschuss') and received around EUR 1.3 million. Government grants related to Personalkostenzuschuss have been deducted from the personnel expenses.

59. Details of the companies wholly or partly owned by Erste Group as of 31 December 2021

The table below presents material, fully consolidated subsidiaries, investments in associates accounted for at equity and other investments.

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	39.2	39.2
Banca Comerciala Romana Chisinau S.A.	Chisinau	99.9	99.9
Banca Comerciala Romana SA	Bucharest	99.9	99.9
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Wien	95.1	100.0
BCR Banca pentru Locuinte SA	Bucharest	99.9	99.9
Ceska sporitelna, a.s.	Praha	100.0	100.0
Die Zweite Wiener Vereins-Sparcasse	Wien	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
ERSTE BANK AKCIONARSKO DRUŠTVO, NOVI SAD	Novi Sad	80.5	80.5
Erste Bank der oesterreichischen Sparkassen AG	Wien	100.0	100.0
Erste Bank Hungary Zrt	Budapest	100.0	100.0
Erste Group Bank AG	Wien	0.0	0.0
ERSTE Jelzálogbank Zártkörűen Működő Részvénytársaság	Budapest	100.0	100.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	100.0	100.0
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems	0.0	0.0
Lienzer Sparkasse AG	Lienz	0.0	0.0
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	100.0	100.0
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden	0.0	0.0
Sparkasse Bank AD Skopje	Skopje	24.9	23.9
Sparkasse Bank dd Bosna i Hercegovina	Sarajevo	25.0	25.0
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen	0.0	0.0
SPARKASSE FRANKENMARKT AKTIENGESELLSCHAFT	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach Bank Aktiengesellschaft	Herzogenburg	0.0	0.0
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürrzuslag Aktiengesellschaft	Mürrzuslag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Pöllau AG	Pöllau	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	4.2	4.2
Stavebni sporitelna Ceske sporitelny, a.s.	Praha	100.0	100.0
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
Financial institutions			
"DIE EVA" Grundstückverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
"Die Kärntner" Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	25.0
"Die Kärntner" Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
"Nare" Grundstücksverwertungs-Gesellschaft m.b.H.	Wien	100.0	100.0
ACP Financial Solutions GmbH	Wien	75.0	75.0
Alea-Grundstückverwaltung Gesellschaft m.b.H.	Wien	100.0	100.0
Altstadt Hotelbetriebs GmbH	Wien	100.0	100.0
AVION-Grundverwertungsgesellschaft m.b.H.	Wien	51.0	51.0
BCR Leasing IFN SA	Bucharest	99.9	99.9
BCR Payments Services SRL	Sibiu	99.9	99.9
BCR Social Finance IFN S.A.	Bucharest	79.5	79.5
BOOTES-Immorent Grundverwertungs-Gesellschaft m.b.H.	Wien	100.0	100.0
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
DIE ERSTE Leasing Grundaufschließungs- und Immobilienvermietungsgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Grundbesitzgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Grundstückverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Immobilienbesitzgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Immobilienverwaltungs- und -vermietungsgesellschaft m.b.H.	Wien	100.0	100.0
DIE EVA-Gebäudeleasinggesellschaft m.b.H.	Wien	100.0	100.0
DIE EVA-Immobilienleasing und -erwerb Gesellschaft m.b.H.	Wien	100.0	100.0
Drustvo za lizing nekretnina, vozila, plovila i masina "S-Leasing" doo Podgorica	Podgorica	62.5	62.5
EB Erste Bank Internationale Beteiligungen GmbH	Wien	100.0	100.0
EB-Grundstücksbeteiligungen GmbH	Wien	100.0	100.0
EKZ-Immorent Vermietung GmbH	Wien	100.0	100.0
Epsilon Immorent s.r.o.	Praha	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	47.1	47.1
Erste Bank und Sparkassen Leasing GmbH	Wien	100.0	100.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticama, d.o.o.	Ljubljana	69.3	69.3
Erste Finance (Delaware) LLC	Wilmington	100.0	100.0
Erste Group Immorent CR s.r.o.	Praha	100.0	100.0
Erste Group Immorent GmbH	Wien	100.0	100.0
Erste Group Immorent International Holding GmbH	Wien	100.0	100.0
Erste Group Immorent Lizing Zártkörűen Működő Részvénytársaság	Budapest	100.0	100.0
ERSTE GROUP IMMORIENT LJUBLJANA, finančne storitve, d.o.o.	Ljubljana	100.0	100.0
Erste Social Finance Holding GmbH	Wien	60.0	60.0
Eva-Immobilienverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
Eva-Realitätenverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
F & S Leasing GmbH	Klagenfurt	100.0	100.0
Factoring Ceske sporitelny a.s.	Praha	100.0	100.0
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.	Wien	62.5	62.5
Holding Card Service s.r.o.	Praha	100.0	100.0
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H.	Wien	38.0	100.0
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	54.5	54.6
Immo Smaragd GmbH	Schwaz	0.0	0.0
Immorent - Immobilienleasing Gesellschaft m.b.H.	Wien	100.0	100.0
Immorent - Weiko Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT DELTA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
ImmoRent Einkaufszentren Verwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT EPSILON, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
Immorent Oktatási Ingatlanhasznosító és Szolgáltató Kft.	Budapest	56.0	56.0
IMMORENT PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
IMMORENT RIED GmbH	Wien	100.0	100.0
IMMORENT-ANUBIS Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-ASTRA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Clio-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Gamma-Grundstücksverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-GREKO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Kappa Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-LEANDER Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-MOMO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-MÖRE Grundverwertungsgesellschaft m.b.H.	Wien	69.5	69.5
IMMORENT-NERO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-Objektvermietungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-OSIRIS Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-PAN Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-Raiffeisen Fachhochschule Errichtungs- und BetriebsgmbH	Wien	55.0	55.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
IMMORENT-RASTA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-REMUS Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RIALTO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.	Wien	55.0	55.0
IMMORENT-RIWA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RONDO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RUBIN Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-SARI Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Theta-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
Immorent-WBV Grundverwertungsgesellschaft m.b.H.	Wien	50.0	50.0
IMNA-Immorent Immobilienleasing GmbH	Wien	100.0	100.0
Intermarket Bank AG	Wien	93.8	93.8
IR Beteiligungsverwaltungsgesellschaft mbH	Wien	100.0	100.0
IR REAL ESTATE LEASING d.o.o. u likvidaciji	Zagreb	92.5	92.5
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Leasing České spořitelny, a.s.	Praha	100.0	100.0
MEKLA Leasing Gesellschaft m.b.H.	Wien	100.0	100.0
NAXOS-Immorent Immobilienleasing GmbH	Wien	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	St. Pölten	2.5	2.5
Ölim-Grundverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
OMEGA IMMORENT s.r.o.	Praha	100.0	100.0
OREST-Immorent Leasing GmbH	Wien	100.0	100.0
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Wien	100.0	100.0
PAROS-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Pischeldorfer Straße 221 Liegenschaftsverwertungs GmbH	Wien	100.0	100.0
PREDUZECE ZA FINANSIJSKI LIZING S-LEASING DOO, BEOGRAD	Belgrade	66.6	66.6
RHEA-Immorent Holding GmbH	Wien	100.0	100.0
s Autoleasing SK, s.r.o.	Bratislava	100.0	100.0
S IMMORENT OMIKRON društvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
s Wohnbaubank AG	Wien	100.0	100.0
SCIENTIA Immorent GmbH	Wien	100.0	100.0
S-Factoring, faktoring družba d.d.	Ljubljana	28.0	28.0
Sieben Tiroler Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-Leasing Immobilienvermietungsgesellschaft m.b.H.	Wiener Neustadt	33.3	33.3
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
SPARKASSE IMMORENT Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Sparkasse Leasing d.o.o., Sarajevo	Sarajevo	25.0	25.0
Sparkasse Leasing d.o.o., Skopje	Skopje	25.0	24.5
Sparkasse Leasing S, družba za financiranje d.o.o.	Ljubljana	28.0	28.0
Sparkassen IT Holding AG	Wien	31.1	31.6
Sparkassen Leasing Süd GmbH	Graz	25.0	25.0
Strabag Oktatási PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	70.0	70.0
Subholding Immorent GmbH	Wien	100.0	100.0
TAURIS-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Theta Immorent s.r.o.	Praha	100.0	100.0
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Wien	100.0	100.0
VIA Immobilien Errichtungsgesellschaft m.b.H.	Wien	100.0	100.0
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.0	0.0
WIESTA-Immorent Immobilienleasing GmbH	Wien	100.0	100.0
XENIA-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Zeta Immorent s.r.o.	Praha	100.0	100.0

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
Other			
"SELIMMO" - Sparkasse Mühlviertel-West - DIE ERSTE Leasing - Immobilienvermietung GmbH in Liqu.	Rohrbach	69.4	69.4
AS-Alpha Grundstücksverwaltung Gesellschaft m.b.H. "in Liqu."	Wien	39.2	39.2
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava	91.1	91.1
BCR Fleet Management SRL	Bucharest	99.9	99.9
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Bucharest	99.9	99.9
BP Budejovicka, s. r. o.	Praha	100.0	100.0
BP Olbrachtova, s. r. o.	Praha	100.0	100.0
BP Polackova, s. r. o.	Praha	100.0	100.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0	25.0
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Budejovicka development, s. r. o.	Praha	100.0	100.0
C&C Atlantic Limited	Dublin	100.0	100.0
CEE Property Development Portfolio 2 a.s.	Praha	100.0	100.0
CEE Property Development Portfolio B.V.	Amsterdam	20.0	20.0
Ceska sporitelna - penzijni spolecnost, a.s.	Praha	100.0	100.0
Cinci-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Collat-real Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
CP Praha s.r.o., v likvidaci	Praha	20.0	20.0
CPDP 2003 s.r.o.	Praha	100.0	100.0
CPP Lux S. 'ar.l.	Luxembourg	20.0	20.0
CS NHQ, s.r.o.	Praha	100.0	100.0
CS Seed Starter, a.s.	Praha	100.0	100.0
Czech and Slovak Property Fund B.V.	Amsterdam	100.0	100.0
DIE ERSTE Leasing Immobilien Vermietungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
DIE EVA - Liegenschaftsverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
Dienstleistungszentrum Leoben GmbH	Wien	51.0	51.0
EBB Beteiligungen GmbH	Wien	100.0	100.0
EB-Restaurantsbetriebe Ges.m.b.H.	Wien	100.0	100.0
Erste Asset Management d.o.o.	Zagreb	91.1	91.1
Erste Asset Management GmbH	Wien	91.1	91.1
Erste Asset Management Ltd. (vm Erste Alapkezelő Zrt.)	Budapest	91.1	91.1
Erste Befektetési Zrt.	Budapest	100.0	100.0
ERSTE CAMPUS Immobilien AG & Co KG	Wien	100.0	100.0
Erste Digital GmbH	Wien	99.9	82.8
Erste Grantika Advisory, a.s.	Brno	100.0	100.0
Erste Group Card Processor d.o.o.	Zagreb	100.0	100.0
ERSTE GROUP IMMORANT HRVATSKA društvo s ogranicenom odgovornošću za upravljanje	Zagreb	100.0	100.0
ERSTE GROUP IMMORANT POLSKA SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA W LIKWIDACJI	Warsaw	100.0	100.0
Erste Group Immorent Slovensko s.r.o.	Bratislava	100.0	100.0
Erste Group IT HR društvo s ogranicenom odgovornošću za usluge informacijskih tehnologija	Bjelovar	75.4	75.4
Erste Group Services GmbH	Wien	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	100.0	100.0
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Wien	68.7	68.7
Erste Ingatlan Fejlesztő, Hasznosító és Mernő Kft.	Budapest	100.0	100.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
Erste Reinsurance S.A.	Luxembourg	100.0	100.0
Erste Securities Polska S.A.	Warsaw	100.0	100.0
Flottenmanagement GmbH	Wien	51.0	51.0
FUKO-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
George Labs GmbH	Wien	100.0	100.0
GLADIATOR LEASING IRELAND DESIGNATED ACTIVITY COMPANY	Dublin	100.0	100.0
Gladiator Leasing Limited	Pieta	100.0	100.0
GLL A319 AS LIMITED	Pieta	100.0	100.0
GLL MSN 2118 DESIGNATED ACTIVITY COMPANY	Dublin	100.0	100.0
Haftungsverbund GmbH	Wien	63.9	64.3
HBM Immobilien Kamp GmbH	Wien	100.0	100.0
HP Immobilien Psi GmbH	Wien	100.0	100.0
HT Immobilien Tau GmbH	Wien	100.0	100.0
HT Immobilien Theta GmbH	Wien	100.0	100.0
HV Immobilien Hohenems GmbH	Wien	100.0	100.0
IBF-Anlagenleasing 95 Gesellschaft m.b.H.	Wien	100.0	100.0
IGP Industrie und Gewerbepark Wörgl Gesellschaft m.b.H.	Kufstein	0.0	0.0
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0	40.0
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
IMMORANT - ANDROMEDA Grundverwertungsgesellschaft m.b.H. "in Liqu."	Wien	41.9	41.9
IMMORANT Alpha Ingatlanbérbeadó és Üzemeltető Korlátolt Felelősségű Társaság "végelszámolás alatt"	Budapest	100.0	100.0
Immorent Lehrbauhofeerrichtungsgesellschaft m.b.H. "in Liqu."	Wien	100.0	100.0
IMMORANT Österreich GmbH	Wien	100.0	100.0
Immorent Singidunum d.o.o.	Belgrade	100.0	100.0
IMMORANT Térinvest Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
IMMORANT-BRAUGEBÄUDE-Leasinggesellschaft m.b.H. "in Liqu."	Wien	100.0	100.0

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
IMMORENT-JULIA Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-UTO Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
IPS Fonds Gesellschaft bürgerlichen Rechts	Wien	63.5	64.4
IR CEE Project Development Holding GmbH	Wien	100.0	100.0
IZBOR NEKRETNINA D.O.O. ZA USLUGE	Zagreb	69.3	69.3
Jura GrundverwertungsgmbH	Graz	25.0	25.0
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
LANED a.s.	Bratislava	100.0	100.0
Lassallestraße 7b Immobilienverwaltung GmbH	Wien	100.0	100.0
LBG 61 LiegenschaftsverwaltungsgmbH "in Liqu."	Wien	100.0	100.0
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
MCS 14 Projektentwicklung GmbH & Co KG	Wien	100.0	100.0
MOPET CZ a.s.	Praha	100.0	100.0
OM Objektmanagement GmbH	Wien	100.0	100.0
Österreichische Sparkassenakademie GmbH	Wien	45.6	45.8
ÖVW Bauträger GmbH	Wien	100.0	100.0
Procurement Services CZ s.r.o.	Praha	99.9	99.9
Procurement Services GmbH	Wien	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services RO srl	Bucharest	99.9	99.9
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Project Development Vest s.r.l	Bucharest	100.0	100.0
Proxima IMMORENT s.r.o. v likvidaci	Praha	100.0	100.0
QBC Management und Beteiligungen GmbH	Wien	65.0	65.0
QBC Management und Beteiligungen GmbH & Co KG	Wien	65.0	65.0
Random Capital Broker Zrt.	Budapest	0.0	100.0
Realia Consult Magyarországi Beruházás Szervezési KFT „végelszámolás alatt“	Budapest	100.0	100.0
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	68.6	68.6
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	61.7	61.7
REICO investicni spolecnost Ceske sporitelny, a.s.	Praha	100.0	100.0
RND Solutions Informatikai Fejlesztő és Szolgáltató Zrt.	Budapest	0.0	100.0
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
s REAL Immobilienvermittlung GmbH	Wien	100.0	100.0
s ServiceCenter GmbH	Wien	58.4	58.5
s Wohnbauträger GmbH	Wien	100.0	100.0
s Wohnfinanzierung Beratungs GmbH	Wien	95.1	100.0
SAI Erste Asset Management S.A.	Bucharest	91.1	91.1
sBAU Holding GmbH	Wien	100.0	100.0
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.0	25.0
sDG Dienstleistungsgesellschaft mbH	Wien	58.7	58.8
S-Invest Beteiligungsgesellschaft m.b.H.	Wien	70.0	70.0
SK - Immobiliengesellschaft m.b.H.	Krems	0.0	0.0
SK Immobilien Epsilon GmbH	Wien	100.0	100.0
SKT Immobilien GmbH	Kufstein	0.0	0.0
SKT Immobilien GmbH & Co KG	Kufstein	0.0	0.0
S-Leasing Gesellschaft m.b.H. in Liqu.	Kirchdorf	69.6	69.6
sMS Marktservice für Sparkassen GmbH	Krems	0.0	0.0
Social Finance, s.r.o.	Bratislava	100.0	84.2
SPARDAT - Bürohauserrichtungs- und Vermietungsgesellschaft m.b.H.	Wien	100.0	100.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach	40.0	40.0
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	37.9	37.9
SPARKASSEN LEASING druzba za financiranje d.o.o. - v likvidaciji	Ljubljana	50.0	50.0
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	50.0	50.0
Sparkassen-Haftungs GmbH	Wien	63.9	64.3
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt	57.6	57.6
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck	68.7	68.7
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-RENT DOO BEOGRAD	Belgrade	35.5	35.5
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
STRAULESTI PROPERTY DEVELOPMENT SRL	Bucharest	100.0	100.0
Suport Colect SRL	Bucharest	99.9	99.9
Toplice Sveti Martin d.o.o.	Sveti Martin	100.0	100.0
Wirtschaftspark Siebenhirten Entwicklungs- und Errichtungs GmbH "in Liqu."	Wien	100.0	100.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.0	0.0

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
Funds			
ERSTE BOND EURO TREND	Wien	0.0	0.0
ERSTE RESERVE CORPORATE	Wien	0.0	0.0
SPARKASSEN 19	Wien	0.0	0.0
SPARKASSEN 21	Wien	0.0	0.0
SPARKASSEN 26	Wien	0.0	0.0
SPARKASSEN 4	Wien	0.0	0.0
SPARKASSEN 5	Wien	0.0	0.0
SPARKASSEN 8	Wien	0.0	0.0
SPARKASSEN 9	Wien	0.0	0.0

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
Equity method investments			
Credit institutions			
Prva stavebna sporitelna, a.s.	Bratislava	35.0	35.0
SPAR-FINANZ BANK AG	Salzburg	50.0	50.0
Financial institutions			
Adoria Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Aventin Grundstückverwaltungs Gesellschaft m.b.H.	Horn	24.5	24.5
Epsilon - Grundverwertungsgesellschaft m.b.H.	Wien	50.0	50.0
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Fondul de Garantare a Creditului Rural IFN SA	Bucharest	33.3	33.3
FORIS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Global Payments s.r.o.	Praha	49.0	49.0
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	33.3	33.3
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H.	Innsbruck	49.0	49.0
LITUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	Eisenstadt	50.0	50.0
NÖ Bürgschaften und Beteiligungen GmbH	Wien	14.4	14.4
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	33.4	33.4
O.Ö. Kommunalgebäude-Leasing Gesellschaft m.b.H.	Linz	40.0	40.0
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Wien	33.3	33.3
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H.	Wien	50.0	50.0
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	50.0	50.0
Steirische Leasing für Gebietskörperschaften Gesellschaft m.b.H.	Wien	50.0	50.0
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Wien	50.0	50.0
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Wien	50.5	50.5
SWO Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	50.0	50.0
TKL V Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VIII Grundverwertungsgesellschaft m.b.H.	Innsbruck	24.5	24.5
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Wien	25.0	25.0
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
VBV - Betriebliche Altersvorsorge AG	Wien	29.8	29.8
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	35.0	35.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H.	Dornbirn	33.3	33.3
Other			
APHRODITE Bauträger Aktiengesellschaft	Wien	50.0	50.0
CIT ONE SA	Bucharest	33.3	33.3
Dostupny Domov j.s.a.	Nitra	49.9	42.0
ERSTE d.o.o.	Zagreb	45.2	45.2
Erste ÖSW Wohnbauträger GmbH	Wien	50.5	50.5
GELUP GmbH	Wien	33.3	33.3
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	0.8	0.8
Hochkönig Bergbahnen GmbH	Mühlbach	47.4	47.4
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	13.6	13.6
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H. in Liqu.	Wien	33.4	33.4
SILLO DREI next LBG 57 Liegenschaftsverwertung GmbH & Co KG	Wien	49.0	49.0
SILLO II LBG 57 – 59 Liegenschaftsverwertung GmbH & Co KG	Wien	49.0	49.0
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
Other investments			
Credit institutions			
Oesterreichische Kontrollbank Aktiengesellschaft	Wien	12.9	12.9
ALTA BANKA AD BEOGRAD	Belgrade	0.0	0.0
Public Joint-stock company commercial Bank "Center-Invest"	Rostov	9.1	9.1
EUROAXIS BANK AD Moskva	Moscow	1.6	1.6
Südtiroler Sparkasse AG	Bozen	0.1	0.1
Financial institutions			
"Österreichisches Siedlungswerk" Gemeinnützige Wohnungsaktiengesellschaft	Wien	1.0	1.0
"Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.1	19.1
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	20.3	20.3
ARWAG Holding-Aktiengesellschaft	Wien	19.3	19.3
Central Securities Depository AD Skopje	Skopje	0.0	5.7
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
CS Property Investment Limited in liquidation	Nicosia	100.0	100.0
CULINA Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
Diners Club BH d.o.o. Sarajevo	Sarajevo	69.3	69.3
Diners Club Bulgaria AD	Sofia	3.6	3.6
Diners Club International Belgrade d.o.o. Beograd in bankruptcy	Belgrade	69.3	69.3
Diners Club International Montenegro d.o.o. in Podgorica	Podgorica	69.3	69.3
Erste Asset Management Deutschland GmbH	Vaterstetten	91.1	91.1
Erste Private Capital GmbH	Wien	0.0	91.1
EUROPEAN INVESTMENT FUND	Luxembourg	0.1	0.1
EWU Wohnbau Unternehmensbeteiligungs-GmbH	St. Pölten	20.2	20.2
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii Privati SA	Bucharest	9.5	9.5
Garantiqa Hitelgarancia Zrt.	Budapest	1.8	1.8
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Mödling	19.2	19.2

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
Gemeinnützige Bau- und Siedlungsgenossenschaft "Waldviertel" registrierte Genossenschaft mit beschränkter Haftung	Raabs	0.0	0.0
Gemeinnützige Wohn- und Siedlungsgesellschaft Schönere Zukunft, Gesellschaft m.b.H.	Wien	15.0	15.0
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	20.0	20.0
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5	7.5
IMMORENT S-Immobilienmanagement GesmbH	Wien	100.0	100.0
Immorent-Hackinger Grundverwertungsgesellschaft m.b.H.	Wien	11.3	11.3
KERES-Immorent Immobilienleasing GmbH	Wien	25.0	25.0
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	75.0	75.0
Lorit Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	26.7	26.7
LV Holding GmbH	Linz	35.4	35.4
MIGRA Gemeinnützige Wohnungsges.m.b.H.	Wien	19.8	19.8
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0	40.0
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	5.6	5.6
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.6	15.6
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Innsbruck	26.3	26.3
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	2.5	2.5
PSA Payment Services Austria GmbH	Wien	18.5	18.5
Salzburger Kreditgarantiegesellschaft m.b.H.	Salzburg	18.2	18.2
Seilbahnleasing GmbH	Innsbruck	33.3	33.3
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.(CENTRAL DEPOZITORY & CLEARING COMPANY Inc.)	Zagreb	0.1	0.1
TKL II. Grundverwertungsgesellschaft m.b.H.	Wien	26.7	26.7
TKL VI Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VII Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
UNDA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.0	0.0
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Wien	14.4	14.4
Other			
"Die Kärntner" - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.0	25.0
"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.0	25.0
"Die Kärntner"-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg	25.0	25.0
"Gasthof Löwen" Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.0	0.0
"Photovoltaik-Gemeinschaftsanlage" der Marktgemeinde Wolfurt	Wolfurt	0.0	0.0
"S-PREMIUM" Društvo sa ogranicenom odgovornoscu za posredovanje i zastupanje u osiguranju d.o.o. Sarajevo	Sarajevo	25.0	25.0
"Stolz auf Wien" Beteiligungs GmbH	Wien	0.0	0.0
"TBG" Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	1.5	1.5
"THG" Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.5	1.5
AB Banka, a.s. v likvidaci	Mladá Boleslav	4.5	4.5
Achenseebahn-Aktiengesellschaft in Abwicklung	Jenbach	0.0	0.0
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.0	0.0
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.2	0.2
Agrargemeinschaft Kirchschlag	Kirchschlag	0.0	0.0
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU DELOVA ZA MOTORE GARANT, FUTOG - U STECAJU	Futog	6.2	6.2
ALBA Services GmbH	Wien	50.0	50.0
Alpbacher Bergbahn Gesellschaft m.b.H. & Co.KG.	Alpbach	0.0	0.0
ALPENDORF BERGBAHNEN AG	St. Johann	0.0	0.0
AREALIS Liegenschaftsmanagement GmbH	Wien	50.0	50.0
Argentum Immobilienverwertungs Ges.m.b.H.	Linz	39.2	39.2
AS LEASING Gesellschaft m.b.H.	Linz	39.2	39.2
AS Support GmbH	Linz	39.2	39.2
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	39.2	39.2
Austrian Reporting Services GmbH	Wien	14.3	14.3
aws Gründerfonds Beteiligungs GmbH & Co KG	Wien	5.1	5.1
Bankovní identita, a.s.	Praha	33.3	17.0
Bäuerliches Blockheizkraftwerk reg. Gen.m.b.H.	Kautzen	0.0	0.0
BCR Asigurari de Viata Vienna Insurance Group SA	Bucharest	5.5	5.5
beeex GmbH	Pöllau	0.0	0.0
Beogradska Berza, Akcionarsko Društvo Beograd	Belgrade	12.6	12.6
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.0	0.0
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.0	0.0
Bergbahn Lofer GmbH	Lofer	7.1	7.1
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.0	0.0
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.0	0.0
BGM - EB-Grundstücksbeteiligungen GmbH & Co KG	Wien	0.0	0.0
Biogenrohstoffgenossenschaft Kamptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Maiersch	0.0	0.0
Biomasse Heizwerk Zürs GmbH	Zürs	0.0	0.0
Biroul de Credit SA	Bucharest	19.4	19.4
Biroul de Credit SRL	Chisinau	6.7	9.1
Brauerei Murau eGen	Murau	0.6	0.7
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.0	0.0
Budapesti Értéktözsde Zártkörűen Működő Részvénytársaság	Budapest	2.0	2.0

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
Burza cennych papierov v Bratislave, a.s.	Bratislava	3.9	3.9
Camelot Informatik und Consulting Gesellschaft m.b.H.	Wien	3.6	4.1
CAMPUS 02 Fachhochschule der Wirtschaft GmbH	Graz	3.8	1.5
capital300 EuVECA GmbH & Co KG	Wien	2.6	2.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H.	Werdorf	1.6	1.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Werdorf	1.6	1.6
Casa Romana de Compensatie Sibiu	Sibiu	0.4	0.4
CBCB-Czech Banking Credit Bureau, a.s.	Praha	20.0	20.0
Clearing House KIBS AD Skopje	Skopje	0.0	4.4
CRNOMEREC CENTAR D.O.O. ZA PROJEKTIRANJE GRADENJE I NADZOR	Zagreb	0.0	0.0
D.C. Travel d.o.o Beograd u stecaju	Belgrade	69.3	69.3
Dachstein Tourismus AG	Gosau	0.0	0.0
Dateio s.r.o.	Praha	22.2	22.2
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.0	25.0
Digital factory s.r.o.	Brno	0.0	15.0
DINESIA a.s.	Praha	100.0	100.0
Dolomitencenter Verwaltungs GmbH	Lienz	50.0	50.0
Dornbirner Seilbahn AG	Dornbirn	0.0	0.0
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Belgrade	0.8	0.8
EBB-Delta Holding GmbH	Wien	100.0	100.0
EBV-Leasing Gesellschaft m.b.H.	Wien	51.0	51.0
EG Energie Center Lipizzanerheimat GmbH	Bärnbach	0.0	0.0
Egg Investment GmbH	Egg	0.0	0.0
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf	0.0	0.0
Einlagensicherung AUSTRIA Ges.m.b.H.	Wien	0.5	0.4
ELAG Immobilien AG	Linz	1.5	1.6
Energie AG Oberösterreich	Linz	0.2	0.2
ERSTE Immobilien Alpha "WE-Objekte" GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha APS 85 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Baufeld Omega GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Brünner Straße 124 Liegenschaftsverwaltung GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Eggenberger Gürtel GmbH & Co KG	Graz	0.0	0.0
ERSTE Immobilien Alpha Favoritenstraße 92 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha GmbH	Wien	68.7	68.7
ERSTE Immobilien Alpha Kerensstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Lastenstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Monte Laa GmbH & Co. KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Paragonstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Ulmgasse GmbH & Co. KG	Wien	0.0	0.0
ERSTE Immobilien Alpha W175 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Wien	0.1	0.1
ERSTE Immobilien Beta GmbH	Wien	68.7	68.7
ERSTE Immobilien Beta GS 131 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma GmbH	Wien	68.7	68.7
ERSTE Immobilien Gamma Hilde-Spiel-Gasse GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Lemböckgasse GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Seepark Campus West GmbH & Co KG	Wien	0.0	0.0
FINAG D.D. INDUSTRIJA GRADJEVNOG MATERIJALA BANKRUPTCY	Garesnica	18.2	18.2
Finanzpartner GmbH	Wien	51.1	51.1
Fortenova Group STAK Stichting	Amsterdam	0.3	0.3
FRC2 Croatia Partners SCSp	Luxembourg	5.6	5.6
Freizeitpark Zell GmbH	Zell	0.0	0.0
Freizeitzentrum Zillertal GmbH	Fügen	0.0	0.0
Fund of Excellence Förderungs GmbH	Wien	45.0	45.0
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.0	0.0
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs	0.0	0.0
Gasteiner Bergbahnen Aktiengesellschaft	Bad Hofgastein	13.4	13.4
GEMDAT OÖ GmbH	Linz	10.6	10.6
GEMDAT OÖ GmbH & Co KG	Linz	11.8	11.8
Gerlitzten - Kancelbahn - Touristik Gesellschaft m.b.H. & Co KG	Sattendorf	0.0	0.0
Gewerbe- und Dienstleistungspark der Stadtgemeinde Bad Radkersburg KG	Bad Radkersburg	12.5	12.5
Gladiator Aircraft Management Limited	Pieta	100.0	100.0
Golfclub Bludenz-Braz GmbH	Bludenz-Braz	0.0	0.0
Golfclub Brand GmbH	Brand	0.0	0.0
Golfclub Pfarrkirchen im Mühlviertel GesmbH	Pfarrkirchen	0.2	0.2
Golfplatz Hohe Salve - Brixental Errichter-gesellschaft m.b.H. & Co KG	Westendorf	0.0	0.0
Golfresort Haugschlag GmbH & Co KG	Litschau	0.0	0.0
Graben 21 Liegenschaftsverwaltung GmbH	Wien	100.0	100.0
Großarlter Bergbahnen Gesellschaft mit beschränkter Haftung & Co. KG.	Großarl	0.5	0.2
GW St. Pölten Integrative Betriebe GmbH	St. Pölten	0.0	0.0
GXT Vermögensverwaltung GmbH & Co KG	Wien	0.0	0.0
GZ-Finanz Leasing Gesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
HAPIMAG AG	Baar	0.0	0.0

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
Harkin Limited	Dublin	100.0	100.0
Haus für Senioren 1 Fischamend Errichtungsgesellschaft m.b.H. & Co KG	Wien	0.0	0.0
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus	0.4	0.4
HDL Fiecht GmbH	Vomp	0.0	0.0
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.5	4.5
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.1	4.1
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.4	0.4
Hrvatski olimpijski centar Bjelolosa d.o.o. (Kroatisches Olympiazentrum) in bankruptcy	Jesenak	1.2	1.2
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.3	7.3
HV-Veranstaltungsservice GmbH	St. Lorenzen	100.0	100.0
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	4.1	4.1
JUGOALAT-JAL AD NOVI SAD	Novi Sad	5.0	5.0
Kaiser-Ebersdorfer Straße 8 GmbH & Co KG	Wien	0.0	0.0
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.0	0.0
Kapruner Promotion und Lifte GmbH	Kaprun	6.5	6.5
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbüchel	0.0	0.0
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Wien	100.0	100.0
Kommanditgesellschaft MS "SANTA LORENA" Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
Kommanditgesellschaft MS "SANTA LUCIANA" Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
KOOPERATIVA poistovna, a.s. Vienna Insurance Group	Bratislava	1.5	1.5
Kooperativa pojistovna, a.s. Vienna Insurance Group	Praha	1.6	1.6
'KULSKI ŠTOFOVI' FABRIKA ZA PROIZVODNJU VUNENIH TKANINA I PREDIVA AKCIONARSKO DRUŠTVO IZ KULE - U STECAJU	Kula	6.1	6.1
Kur- und Fremdenverkehrsbetriebe Bad Radkersburg Gesellschaft m.b.H.	Bad Radkersburg	0.0	0.3
ländleticket marketing gmbh	Dornbirn	0.0	0.0
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.0	0.0
Lantech Innovationszentrum GesmbH	Landeck	0.0	0.0
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.0	0.0
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.0	0.0
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.1	1.1
LOCO 597 Investment GmbH	Egg	0.0	0.0
M Schön Wohnen Immorent GmbH in Liqu.	Wien	100.0	100.0
Macedonian Stock Exchange AD	Skopje	0.0	5.9
Maissauer Amethyst GmbH	Maissau	0.0	0.0
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA	Bacčka Palanka	5.2	5.2
Mayer Property Alpha d.o.o.	Zagreb	100.0	100.0
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.0	0.0
MCG Graz e.gen.	Graz	1.4	1.4
MEG Hausgemeinschaft "Bahnhofstraße 1, 4481 Asten"	Asten	0.0	0.0
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.0	0.0
Montfort Investment GmbH	Götzis	0.0	0.0
Mühlbachgasse 8 Immobilien GmbH	Langenlois	0.0	0.0
MUNDO FM & S GmbH	Wien	100.0	100.0
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.1	3.1
Nahwärme Frankenmarkt eGen	Frankenmarkt	0.0	0.0
Neo Investment B.V.	Amsterdam	0.0	0.0
Neuhofner Bauträger GmbH	Neuhofen	0.0	0.0
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	5.6	5.6
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen - Aktiengesellschaft	Neukirchen	0.0	0.0
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.0	0.0
ÖKO-Heizkraftwerk Pöllau GmbH	Pöllau	0.0	0.0
ÖKO-Heizkraftwerk Pöllau GmbH & Co KG	Pöllau	0.0	0.0
Old Byr Holding ehf.	Reykjavik	1.5	1.5
Omniasig Vienna Insurance Group SA	Bucharest	0.1	0.1
ÓÓ HightechFonds GmbH	Linz	7.8	7.8
Ortswärme Fügen GmbH	Fügen	0.0	0.0
Österreichische Wertpapierdaten Service GmbH	Wien	32.7	32.6
Osttiroler Wirtschaftspark GesmbH	Lienz	0.0	0.0
Planai-Hochwurzen-Bahnen Gesellschaft m.b.H.	Schladming	0.7	0.7
Planung und Errichtung von Kleinkraftwerken Aktiengesellschaft	Wien	99.6	100.0
POSLOVNO UDRUŽENJE DAVAOCA LIZINGA "ALCS" BEOGRAD	Belgrade	8.3	8.3
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.6	2.6
Prvni certifikacni autorita, a.s.	Praha	23.3	23.3
Radio Osttirol GesmbH	Lienz	0.0	0.0
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.0	0.0
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.0	4.0
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.3	3.3
REICO nemovitostni fond SICAV a.s.	Praha	100.0	100.0
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.0	0.0
Rolling Stock Lease s.r.o.	Bratislava	3.0	3.0
RTG Tiefgaragenerichtungs und -vermietungs GmbH	Graz	25.0	25.0
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.0	0.0
S IMMOKO Leasing GesmbH	Korneuburg	0.0	0.0

Company name, registered office	Interest of Erste Group in %		
	Dec 20	Dec 21	
S Servis, s.r.o.	Znojmo	100.0	100.0
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.0	50.0
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung in Liquidation	Salzburg	2.0	2.0
S-AMC1 DOOEL Skopje	Skopje	24.9	23.9
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.0	0.0
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-Commerz Beratungs- und Handelsgesellschaft m.b.H.	Neunkirchen	0.0	0.0
SEG Sport Event GmbH	Hohenems	0.0	0.0
Seniorenresidenz "Am Steinberg" GmbH	Graz	25.0	25.0
S-Finanzservice Gesellschaft m.b.H.	Baden	0.0	0.0
SILO DREI Komplementärgesellschaft m.b.H.	Wien	49.0	49.0
SILO II Komplementärgesellschaft m.b.H.	Wien	49.0	49.0
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.0	0.0
SK 2 Properties s.r.o.	Bratislava	0.0	0.0
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co, KG	Unken	0.0	0.0
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.2	2.2
Smart City GmbH	Eferding	0.0	0.0
SOCIETATEA DE TRANSFER DE FONDURI SI DECONTARI TRANSFOND SA	Bucharest	3.2	3.2
Society for Worldwide Interbank Financial Telecommunication scrl	La Hulpe	0.3	0.3
Sparkasse Amstetten Service- und Verwaltungsgesellschaft m. b. H.	Amstetten	0.0	0.0
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Bludenz Immobilienverwaltungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.0	0.0
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.0	0.0
Sparkassen Beteiligungs GmbH & Co KG	Wien	7.8	7.8
Sparkassen Facility Management GmbH	Innsbruck	75.0	75.0
Sparkassengarage Imst Errichtungs- und Betriebs GmbH	Imst	0.0	0.0
Sparkassengarage Imst Errichtungs- und Betriebs GmbH & Co KG	Imst	0.0	0.0
Speedinvest III EuVECA GmbH & Co KG	Wien	2.5	2.5
SPES GmbH & Co. KG	Schlierbach	0.0	0.0
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.0	0.0
SPKR Liegenschaftsverwertungs GmbH	Reutte	0.0	0.0
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwandenstadt	12.9	12.9
SPRON ehf.	Reykjavik	4.9	4.9
Stadtgemeinde Weiz - Wirtschaftsentwicklungs KG	Weiz	0.0	0.0
Stadtmarketing-Ternitz GmbH	Ternitz	0.0	0.0
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.2	7.2
Stoderzinken - Liftgesellschaft m.b.H. & Co. KG.	Gröbming	0.4	0.4
SVB Lambach Versicherungsmakler GmbH	Lambach	0.0	0.0
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	100.0	100.0
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.0	0.0
Tauern SPA World Betriebs- GmbH & Co KG	Kaprun	11.1	11.1
Tauern SPA World Betriebs-GmbH	Kaprun	12.2	12.2
Tauern SPA World Errichtungs- GmbH & Co KG	Kaprun	11.1	11.1
Tauern SPA World Errichtungs-GmbH	Kaprun	12.2	12.2
TAUROS Capital Investment GmbH & Co KG	Wien	40.4	40.4
TAUROS Capital Management GmbH	Wien	44.6	44.6
TCEE Fund IV SCA SICAR	Senningerberg	0.0	9.8
TDG Techn. Dienstleistungs- und Objektservicegesellschaft m.b.H.	Wien	100.0	100.0
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Wien	0.1	0.1
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.0	0.0
TECHNOLOGIE- und GRÜNDERPARK ROSENAL GmbH	Rosental	0.3	0.3
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.0	0.0
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.0	0.0
Technologiezentrum Salzkammergut GmbH	Gmunden	0.6	0.6
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH	Attnang-Puchheim	0.0	0.0
Techno-Z Ried Technologiezentrum GmbH	Ried	0.0	0.0
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen	7.3	7.3
Thermalquelle Loipersdorf Gesellschaft m.b.H. & Co KG	Loipersdorf	0.0	0.5
Therme Wien Ges.m.b.H.	Wien	15.3	15.3
Therme Wien GmbH & Co KG	Wien	15.3	15.3
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.0	0.0
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.0	0.0
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.0	0.0
Tourismusgenossenschaft Ramsau am Dachstein eGen	Ramsau am Dachstein	0.0	0.4
TPK-18 Sp. z o.o.	Warsaw	100.0	100.0
TSG EDV-Terminal-Service Ges.m.b.H.	Wien	0.1	0.1
UNION Vienna Insurance Group Biztosito Zrt.	Budapest	1.2	1.2
Unzmarkter Kleinkraftwerk-Aktiengesellschaft	Wien	99.8	100.0
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Wien	25.6	25.6
VISA INC.	San Francisco	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 20	Dec 21
VIVEA Bad Schönau GmbH	Bad Schönau	0.0	0.0
VIVITHv GmbH	St. Pölten	20.0	20.0
VIVITimmo GmbH	St. Pölten	20.0	20.0
VMG Versicherungsmakler GmbH	Wien	5.0	5.0
Waldviertler Leasing s.r.o.	Jindrichuv Hradec	0.0	0.0
Wassergenossenschaft Mayrhofen	Mayrhofen	0.0	0.0
WBC Sparkasse Korneuburg GmbH	Korneuburg	0.0	0.0
WE.TRADE INNOVATION DESIGNATED ACTIVITY COMPANY	Dublin	4.1	3.2
WEB Windenergie AG	Pfaffenschlag	0.0	0.0
Weißsee-Gletscherwelt GmbH	Uttendorf	0.0	0.0
WET Wohnbaugruppe Service GmbH	Mödling	19.9	19.9
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	39.2	39.2
WG PROJEKTIRANJE, investiranje in inženiring d.o.o.	Ljubljana	100.0	100.0
Wien 3420 Aspern Development AG	Wien	24.5	24.5
Wiener Börse AG	Wien	11.8	11.8
Wiener osiguranje Vienna Insurance Group dionicko društvo za osiguranje	Zagreb	1.1	1.1
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group	Wien	2.2	2.2
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.0	0.0
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	1.3	1.3
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.0	0.0
WW Wohnpark Wehlistraße GmbH	Wien	100.0	100.0
Zagreb Stock Exchange, Inc.	Zagreb	2.3	2.3
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.0	0.0

Additional information

GLOSSARY

Book value per share

Equity (attributable to owners of the parent) divided by the number of outstanding shares at the end of the period.

Cash return on equity (cash RoE)

Net profit for the period attributable to the owners of the parent less dividends for Additional Tier 1 capital (AT1), adjusted for non-cash items such as goodwill amortisation and amortisation of customer relationship as a percentage of the average equity attributable to the owners of the parent. The average is calculated on the basis of final quarterly values.

Cash earnings per share

Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1), adjusted for non-cash items such as goodwill impairment and amortisation of customer relationship divided by the weighted average number of outstanding shares.

CEE (Central and Eastern Europe)

Abbreviation for the economic area Central and Eastern Europe. Includes the new EU member states of the enlargement rounds 2004 and 2007 as well as the successor states of Yugoslavia and the Soviet Union as well as Albania.

CET1

Common equity Tier 1.

CET1 ratio

Common equity Tier 1 as a percentage of the total risk (according to CRR).

CRR

Capital Requirements Regulation: one of the two legal acts containing the new Capital Requirements.

Cost/income ratio

General administrative expenses or operating expenses as a percentage of operating income.

Dividend yield

Dividend distribution of the financial year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share

Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1), divided by the weighted average number of outstanding shares.

Interest-bearing assets

Total assets less cash and cash balances, derivatives – held for trading, hedge accounting derivatives, property and equipment, investment properties, intangible assets, current and deferred tax assets, assets held for sale and other assets.

Loan to deposit ratio

Loans and receivables to customers (net) in relation to deposits from customers

Miscellaneous assets

The total of hedge accounting derivatives, property and equipment, investment properties, investments in associates and joint ventures associates, current and deferred tax assets, assets held for sale and other assets,

Miscellaneous liabilities

The total of other financial liabilities at fair value through profit or loss, other financial liabilities at amortised cost, hedge accounting derivatives, changes in fair value of portfolio hedged items, provisions, current and deferred tax liabilities, liabilities associated with assets held for sale and other liabilities.

Net interest margin

Net interest income as a percentage of average interest-bearing assets. The average is calculated on the basis of quarterly values.

Operating expenses (general administrative expenses)

The total of personnel expenses, other administrative expenses and depreciation and amortisation.

Operating income

Total of net interest income, net fee and commission income, dividend income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments and rental income from investment properties & other operating leases.

Operating result

Operating income less operating expenses.

Own funds

Own funds according to CRR consist of Common equity Tier 1 (CET1), Additional Tier 1 capital (AT1) and the supplementary capital (T2).

Price/earnings ratio

Ratio between closing price of the financial year and earnings per share of the financial year.

Market capitalisation

Total value of a company which results from multiplying the share price by the number of shares outstanding (share capital).

Non-performing exposure (NPE) collateralisation ratio

Collateral for non-performing credit risk exposure as a percentage of non-performing credit risk exposure.

Non-performing exposure (NPE) coverage ratio

Credit risk allowances for credit risk exposure (all allowances in scope of IFRS 9 and provisions for other commitments) as a percentage of non-performing credit risk exposure.

Non-performing exposure (NPE) ratio

Non-performing credit risk exposure as a percentage of total credit risk exposure.

Non-performing loans (NPL) collateralisation ratio

Collateral for non-performing loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) coverage ratio

Credit risk allowances for loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) ratio

Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

Return on equity (RoE)

Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1) as a percentage of the average equity attributable to the owners of the parent. The average is calculated on the basis of final quarterly figures.

Return on equity excluding intangible assets (ROTE)

Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1) as a percentage of average equity attributable to owners of the parent and adjusted for intangible assets. The average is calculated on the basis of quarterly final values.

Risk Appetite Statement (RAS)

The RAS is a strategic document, which concludes the maximum risk an organization is willing to take in order to reach any given target.

Risk categories

Risk categories classify the risk exposures of Erste Group based on the internal ratings of Erste Group. There exist three risk categories for performing risk exposures and one risk category for non-performing risk exposures.

Risk category – low risk

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

Risk category – management attention

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

Risk category – substandard

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

Risk category – non-performing

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

Share capital

Total equity attributable to owners of the parent subscribed by the shareholders.

Tax ratio

Taxes on income as a percentage of pre-tax profit from continuing operations.

Texas ratio

Total capital according to IFRS dividends for Additional Tier 1 capital (AT1), and intangible assets plus allowances for loans and advances to customers as a percentage of non-performing loans.

T 1 ratio

Tier 1 as a percentage of the total risk (according to CRR).

Total capital ratio

Total of own funds as a percentage of the total risk (according to CRR).

Total risk (risk-weighted assets, RWA)

Includes credit, market and operational risk (according to CRR).

Total shareholder return

Performance of an investment in Erste Group Bank AG shares within one year including all distributions, such as dividends, as a percentage of the share price at the end of the previous year.

ABBREVIATIONS

ABA	Austrian Banking Act
AC	Amortized cost
ACC	Austrian Commercial Code
AFS	Available for sale
ALM	Asset Liability Management
ALCO	Asset Liability Committee
AMA	Advanced Measurement Approach
AT1	Additional Tier 1
BCR	Banca Comercială Română S.A.
BSM & LCC	Balance sheet management & Local Corporate Center
CBCR	Country-by-Country-Reporting
CCF	Credit Conversion Factor
CEE	Central and Eastern Europe
CGU	Cash-Generating Unit
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CRO	Chief Risk Officer
CSAS	Česká spořitelna, a.s.
CVA	Credit Value Adjustments
DIP	Debt Issuance-Programme
DVA	Debit Value Adjustment
EBA	European Banking Authority
EBC	Erste Bank Croatia
EBH	Erste Bank Hungary Zrt.
EBOe	Erste Bank Oesterreich
ECL	Expected Credit Loss
ECJ	European Court of Justice
EIR	Effective interest rate
ERM	Enterprise wide Risk Management
FVO	Fair value option-designated at fair value
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
GDPR	General Data Protection Regulation
G-SII	Global Systemic Important Institution
GLMRM	Group Liquidity and Market Risk Management
HFT	Held for trading
HTM	Held to maturity
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
LGD	Loss Given Default
L&R	Loans and receivables
LT PD	Lifetime Probability of Default
MDA	Maximum distributable amount
OCI	Other comprehensive income
O-SII	Other Systemic Important Institution
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
P&L	Profit or loss
PD	Probability of Default
POCI	Purchased or originated credit impaired
RAS	Risk Appetite Statement
RTS	Regulatory Technical Standards
RW	Risk weight
RWA	Risk Weighted Assets
SICR	Significant increase in credit risk
SLSP	Slovenská sporiteľňa
Sparkasse Oberösterreich	Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft
Sparkasse Steiermark	Steiermärkische Bank und Sparkassen Aktiengesellschaft
Sparkasse Kärnten	Kärntner Sparkasse Aktiengesellschaft
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
T1	Tier 1
T2	Tier 2
VAR	Value at Risk

Management Board

Bernhard Spalt mp, Chairman

Ingo Bleier mp, Member

Stefan Dörfler mp, Member

Alexandra Habeler-Drabek mp, Member

David O'Mahony mp, Member

Maurizio Poletto mp, Member

Vienna, 28 February 2022

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

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

Management Board

Bernhard Spalt mp, Chairman

Ingo Bleier mp, Member

Stefan Dörfler mp, Member

Alexandra Habeler-Drabek mp, Member

David O'Mahony mp, Member

Maurizio Poletto mp, Member

Vienna, 28 February 2022

Your Notes

Your Notes

Important addresses

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(Erste Bank Oesterreich)

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