Interim Report

Third Quarter 2021

ERSTE Group

Key financial data

Income statement

in EUR million	Q3 20	Q2 21	Q3 21	1-9 20	1-9 21
Net interest income	1,192.4	1,276.5	1,220.8	3,589.3	3,669.5
Net fee and commission income	491.6	559.0	591.4	1,448.3	1,690.4
Net trading result and gains/losses from financial instruments at FVPL	81.0	60.3	74.3	90.4	201.0
Operating income	1,814.0	1,962.1	1,944.3	5,285.8	5,735.0
Operating expenses	-1,008.5	-999.7	-1,038.0	-3,123.2	-3,141.0
Operating result	**805.5**	**962.4**	**906.3**	**2,162.7**	**2,594.0**
Impairment result from financial instruments	-194.7	-47.2	31.3	-870.1	-51.6
Post-provision operating result	**610.8**	**915.2**	**937.6**	**1,292.6**	**2,542.4**
Other operating result	-43.8	-45.6	-70.9	-213.6	-243.3
Levies on banking activities	-17.3	-19.0	-19.4	-100.3	-71.6
Pre-tax result from continuing operations	568.3	870.1	847.0	1,078.4	2,282.1
Taxes on income	-123.9	-163.0	-146.3	-264.2	-433.6
Net result for the period	**444.4**	**707.0**	**700.7**	**814.2**	**1,848.5**
Net result attributable to non-controlling interests	101.0	144.2	167.3	177.1	397.2
Net result attributable to owners of the parent	**343.3**	**562.9**	**533.4**	**637.1**	**1,451.4**
Earnings per share	0.81	1.15	1.25	1.37	3.24
Return on equity	9.6%	13.0%	13.7%	5.5%	12.1%
Net interest margin (on average interest-bearing assets)	2.04%	2.13%	1.98%	2.09%	2.04%
Cost/income ratio	55.6%	51.0%	53.4%	59.1%	54.8%
Provisioning ratio (on average gross customer loans)	0.46%	0.11%	-0.07%	0.70%	0.04%
Tax rate	21.8%	18.7%	17.3%	24.5%	19.0%

Balance sheet

in EUR million	Sep 20	Jun 21	Sep 21	Dec 20	Sep 21
Cash and cash balances	27,848	48,421	47,125	35,839	47,125
Trading, financial assets	46,511	50,849	51,239	46,849	51,239
Loans and advances to banks	25,672	24,541	27,749	21,466	27,749
Loans and advances to customers	164,514	172,114	175,929	166,050	175,929
Intangible assets	1,331	1,342	1,326	1,359	1,326
Miscellaneous assets	6,107	6,168	5,872	5,830	5,872
Total assets	**271,983**	**303,435**	**309,240**	**277,394**	**309,240**
Financial liabilities held for trading	2,845	2,412	2,193	2,625	2,193
Deposits from banks	26,433	34,643	35,387	24,771	35,387
Deposits from customers	184,830	206,256	207,506	191,070	207,506
Debt securities issued	29,675	30,243	33,505	30,676	33,505
Miscellaneous liabilities	6,762	6,510	6,696	5,840	6,696
Total equity	21,438	23,371	23,954	22,410	23,954
Total liabilities and equity	**271,983**	**303,435**	**309,240**	**277,394**	**309,240**
Loan/deposit ratio	89.0%	83.4%	84.8%	86.9%	84.8%
NPL ratio	2.4%	2.5%	2.4%	2.7%	2.4%
NPL coverage ratio (based on AC loans, ex collateral)	95.5%	91.4%	92.7%	88.6%	92.7%
CET1 ratio (final)	14.1%	14.2%	14.2%	14.2%	14.2%

Ratings	Sep 20	Jun 21	Sep 21
Fitch			
Long-term	A	A	A
Short-term	F1	F1	F1
Outlook	RWN	Negative	Negative
Moody´s			
Long-term	A2	A2	A2
Short-term	P-1	P-1	P-1
Outlook	Positive	Stable	Stable
Standard & Poor´s			
Long-term	A	A	A
Short-term	A-1	A-1	A-1
Outlook	Stable	Stable	Positive

Fitch affirmed on 27 October 2021 Erste Group Bank AG's rating at A and revised the outlook from Negative to Stable.

Letter from the CEO

Dear shareholders,

Erste Group posted a very good result for the first three quarters of 2021, a net profit of EUR 1,451.4 million. This was attributable to a strong operating performance in all core markets – with a particular highlight being the continued very positive trend in net fee and commission income – as well as very low risk costs. As the rebound of the economy in our region has gained additional momentum we have adjusted the outlook for the current financial year once again: for 2021, we now expect stronger lending growth, higher net fee and commission income, lower risk costs and, consequently, a significantly higher net profit and a double-digit return on tangible equity (ROTE).

Overall, the economic environment developed significantly better in Austria and CEE in the first nine months than originally forecast. While at the beginning of the year, pandemic-induced restrictions were still delaying the recovery of the economy, growth forecasts were raised in the third quarter from 3%-7% to 3.3-7.5% despite challenges such as disruptions of international supply chains. In response to rising inflation rates, the central banks of the Czech Republic, Hungary and Romania implemented their first rate hikes already in June, i.e. earlier than expected. The ECB, on the other hand, confirmed that it will continue its low-interest-rate policy. Lower tax revenues and increased social spending will, however, continue to have a negative impact on national budgets. It is last but not least due to government support for businesses that the Covid-19 crisis has not triggered a wave of insolvencies so far. This is also reflected in asset quality metrics. At the end of September 2021, Erste Group's NPL ratio reached again its historic low of 2.4%.

How did these developments impact our operations? In the retail business, demand for mortgage loans remained very strong while demand for consumer loans was still subdued. The inflow of deposits remained robust. Prosperity advice – Erste Group's financial advisory services designed to help our clients achieve and maintain prosperity – has been enjoying increasing popularity in the low-interest-rate environment. Clients are increasingly asking about options for green as well as socially responsible investments. Favourable market conditions supported the positive trend in the securities business and in asset management. Our popular digital platform George can now be accessed in all of our core markets, with the exception of Serbia, and is recording a steady rise in the number of digital users and digital transactions. Across the Group, more than seven million clients are already using George. We are currently working on the rollout of a powerful digital platform specifically designed for our SME clients. In the corporate segment, loan growth is still seen mainly in the large corporate business. We generally see increased interest in ESG topics. Overall, customer loan volume was up by 5.9% to EUR 175.9 billion. The strong rise in retail and corporate customers' deposits reduced the loan-to-deposit ratio to 84.8%, though.

The better-than-expected development of the economy is – as to be expected with our business model – reflected in the operating result. Growth was registered in all components of operating income. The continued positive trend in net fee and commission income is encouraging, with growth recorded in the securities, asset management and insurance brokerage business. The lifting of Covid-19 restrictions also resulted in increased activity in payment services. Net interest income benefited from the take-up of TLTRO III refinancing from the ECB. In the third quarter, additional positive momentum came from rate hikes in the Czech Republic. Building on an improved net trading and fair value result and rigorous cost discipline we achieved a significant improvement in the operating result. Risks costs remained extremely low and, at 4 basis points of gross loan volume, were considerably lower than in the first nine months of 2020, which had been impacted by Covid-induced provisions for potential future developments.

Erste Group's capitalisation remains solid with a common equity tier 1 ratio (final) of 14.2% as of the end of September 2021. If approved by the extraordinary general meeting scheduled for 25 November 2021, we will distribute an additional dividend of EUR 1 per share in the fourth quarter of 2021. With a planned dividend of EUR 1.6 per share for 2021, we are returning to a progressive dividend policy.

The solid development of the operating result underlines that we are pursuing the right business strategy in the right region. You may rely on us to keep operating the banking business in a socially as well as ecologically responsible manner while providing support to people and businesses as they develop their economies in our core markets. The three key pillars of Erste Group's strategy – efficiency, digital transformation and growth – form the sound basis on which we fulfil the purpose of our business as it has been for more than 200 years: to spread and secure prosperity across the region.

Bernhard Spalt m.p.

Erste Group on the capital markets

EQUITY MARKET REVIEW

Early in the reporting period, global equity markets continued the uptrend they had seen in the preceding months. Most of the indices have registered double-digit growth in the current year and were hovering near all-time-highs for months. This development was supported by low volatility, mostly better than expected corporate results and upward revisions of corporate outlooks. Towards the end of the third quarter, the markets turned quite volatile, though. In September, central banks' guidance signalling an end to ultra-loose monetary policies, supply chain shortages and inflation concerns triggered a sell-off, as a result of which performance stagnated in the third quarter.

Due to the market setbacks in the final month, most of the indices covered ended the third quarter relatively unchanged or slightly down. Quarter on quarter, the Dow Jones Industrial Index declined 1.9% to 33,843.92 points, while the broad Standard & Poor's 500 Index was up 0.2% at 4,307.54 points. Having previously marked record highs, the indices were up 10.6% and 14.7%, respectively, year to date. European equities were likewise moving sideways. The Euro Stoxx 600 ended the reporting period up 0.4% but, at 454.81 points, closed the month of September 14.0% higher than at year-end 2020. Positive exceptions in the quarter ended were the Austrian Traded Index (ATX) of the Vienna Stock Exchange, which marked new record highs in its 250th anniversary year, and the Euro Stoxx Bank Index, which is composed of the leading European bank shares. Supported by the strong performance of heavyweight Austrian shares, better than expected corporate results and the decision of the European Central Bank (ECB) to lift its bank dividend cap, the ATX rose 7.6% in the third quarter to 3,658.93 points and recorded a year-to-date gain of 31.6%. Bank shares were also in strong demand in the international markets. The Euro Stoxx Bank Index continued its rally by rising 7.1% over the reporting period and, at 100.31 points, was up 36.0% year-to-date.

After the leading central banks had been pursuing low-interest-rate policies and massively expanded their balance sheets to mitigate the economic impacts of the Covid pandemic, there are now indications that they will be tightening their ultra-expansionary stances going forward. After first rate hikes in CEE (Czech Republic, Hungary and Romania), the Bank of England is now likewise contemplating higher key interest rates. At its recent meeting, the US central bank (Fed) already announced a reduction of its monthly asset purchases, which may start even before the end of the year and should be concluded around the middle of next year. The guidance on future key interest rates has also been raised, suggesting a rate hike as early as 2022. The ECB has announced a moderate reduction of monthly asset purchases from the fourth quarter under the programme that is set to run until March 2022.

SHARE PERFORMANCE

In the past quarter, Erste Group continued its uptrend, clearly outperforming the European banking index. The share marked its high at EUR 38.44 on 27 September and its low at EUR 29.71 on 19 July. Closing at EUR 38.06 on 30 September, the share gained 23.0% over the reporting period and was up 52.6% year-to-date. In addition to the general uptrend in bank share prices, this performance was driven by an operating result that beat consensus estimates, asset quality development and risk provisions that were significantly better than expected at the onset of the crisis and an improved economic outlook in Central and Eastern Europe. Market participants welcomed the lifting of the ECB's recommendation to restrict dividend payments and Erste Group's announcement to pay an additional dividend of EUR 1 per share in the fourth quarter of 2021 subject to the approval by an extraordinary general meeting plus a planned dividend of EUR 1.60 per share for the financial year 2021, payable in 2022.

In the third quarter of 2021, trading volume on the three stock exchanges (Vienna, Prague, Bucharest) on which the Erste Group share is listed averaged 699,068 shares per day.

FUNDING AND INVESTOR RELATIONS

In terms of wholesale funding the third quarter tied in thematically with previous months as another senior preferred note, an 8y EUR 500 million transaction at MS+45bps, was issued in September. The transaction marked the third senior preferred note in 2021 after a EUR 500 million 10 year transaction in January (MS+55bps) and Erste Group's inaugural sustainability note, 7y EUR 500 million at MS+35bps, in May.

On 29 September 2021, the rating agency Standard & Poor's upgraded Erste Group's outlook from stable to positive and on 27 October 2021, Fitch raised Erste Group's outlook from negative to stable.

Due to the Covid-19-induced restrictions, banking and investor conferences were again held as virtual events in the third quarter of 2021. Conferences were hosted by Barclays, Goldman Sachs, Bank of America Merrill Lynch, Autonomous, UBS, PKO and mBank. In addition, the management and the investor relations team of Erste Group conducted a large number of one-on-one and group meetings as phone and video conferences, in which questions raised by investors and analysts were answered.

Interim management report

In the interim management report, financial results from January-September 2021 are compared with those from January-September 2020 and balance sheet positions as of 30 September 2021 with those as of 31 December 2020.

EARNINGS PERFORMANCE IN BRIEF

Net interest income increased to EUR 3,669.5 million (+2.2%; EUR 3,589.3 million), primarily due to one-off effects resulting from TLTRO III take-up in Austria and Slovakia. **Net fee and commission income** rose to EUR 1,690.4 million (+16.7%; EUR 1,448.3 million). Increases were posted across all fee and commission categories and core markets, with significant growth seen in particular in payment services as well as in asset management and in the securities business. **Net trading result** improved to EUR 67.5 million (EUR 9.0 million); the line item **gains/losses from financial instruments measured at fair value through profit or loss** rose to EUR 133.5 million (EUR 81.4 million). The development of these two line items was driven mostly by valuation effects. **Operating income** increased to EUR 5,735.0 million (+8.5%; EUR 5,285.8 million). **General administrative expenses** rose moderately to EUR 3,141.0 million (+0.6%; EUR 3,123.2 million). Personnel expenses declined to EUR 1,881.3 million (-1.1%; EUR 1,902.2 million) while other administrative expenses were higher at EUR 846.6 million (+3.4%; EUR 819.0 million). Payments into deposit insurance schemes included in other administrative expenses rose to EUR 113.1 million (EUR 100.3 million). Almost all payments expected for 2021 have already been posted. Depreciation and amortisation increased to EUR 413.2 million (+2.8%; EUR 402.0 million). The **operating result** was up markedly at EUR 2,594.0 million (+19.9%; EUR 2,162.7 million) and the **cost/income ratio** improved significantly to 54.8% (59.1%).

Due to net allocations, the **impairment result from financial instruments** amounted to EUR -51.6 million or 4 basis points of average gross customers loans (EUR -870.1 million or 70 basis points). Net allocations to provisions for loans as well as for commitments and guarantees were posted in the Czech Republic, Romania, Serbia and Hungary, but remained generally at a very low level. A positive contribution came from income related to the recovery of loans already written off as well as from 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 as well as for commitments and guarantees given. The **NPL ratio** based on gross customer loans improved to a historic low at 2.4% (2.7%). The **NPL coverage ratio** (excluding collateral) increased to 92.7% (88.6%).

Other operating result amounted to EUR -243.3 million (EUR -213.6 million). Expenses for the annual contributions to resolution funds for the full year 2021 included in this line item rose – most strongly in Austria and Romania – to EUR 108.5 million (EUR 93.7 million). The decline in banking levies to EUR 71.6 million (EUR 100.3 million) is primarily attributable to the abolition of banking tax in Slovakia. At present, banking levies are payable in two core markets: in Hungary, banking tax for the full financial year amounted to EUR 14.9 million (EUR 14.4 million) and transaction tax for the first three quarters to another EUR 35.7 million (EUR 33.1 million). In Austria, banking tax equalled EUR 20.9 million (EUR 19.0 million).

Taxes on income increased to EUR 433.6 million (EUR 264.2 million). The minority charge rose to EUR 397.2 million (EUR 177.1 million) due to significantly higher earnings contributions from the savings banks. The **net result attributable to owners of the parent** rose to EUR 1,451.4 million (EUR 637.1 million) on the back of the strong operating result and low risk costs.

Total equity not including AT1 instruments rose to EUR 21.2 billion (EUR 19.7 billion). After regulatory deductions and filtering in accordance with the CRR, **common equity tier 1 capital** (CET1, final) rose to EUR 18.3 billion (EUR 17.1 billion), as were total **own funds** (final) to EUR 23.9 billion (EUR 23.6 billion), both figures include the interim profit for the first half of the year but not for the third quarter. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR, final) – increased moderately to EUR 128.5 billion (EUR 120.2 billion). The **common equity tier 1 ratio** (CET1, final) stood at 14.2% (14.2%), the **total capital ratio** at 18.6% (19.7%).

Total assets increased to EUR 309.2 billion (+11.5%; EUR 277.4 billion). On the asset side, cash and cash balances increased, primarily in Austria, to EUR 47.1 billion (EUR 35.8 billion), loans and advances to banks to EUR 27.7 billion (EUR 21.5 billion). **Loans and advances** to customers rose to EUR 175.9 billion (+5.9%; EUR 166.1 billion). On the liability side, deposits from banks grew significantly to EUR 35.4 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 in the Czech Republic – to EUR 207.5 billion (+8.6%; EUR 191.1 billion). **The loan-to-deposit ratio** declined significantly to 84.8% (86.9%).

OUTLOOK

Erste Group's goal for 2021 is to increase net profit and achieve a double-digit return on tangible equity (ROTE). Among the factors that will support achievement of this goal are a recovery of the economies of all core markets – the Czech Republic, Slovakia, Hungary, Romania, Croatia, Serbia and Austria – and, on this basis, an improvement in the operating result and a reduction of risk costs. A continuation or further escalation of Covid-19 measures by governments as well as potential – and as yet unquantifiable – political, regulatory or economic risks may render meeting this goal more challenging.

In the past quarter the economic growth outlook for Erste Group's CEE core markets in 2021 was again upgraded from 3-7% to 3.3-7.5%. The development of other economic indicators is expected to vary depending on Covid-19 policy measures imposed by authorities and/or the phasing out of state support. Unemployment rates are expected to rise slightly but, in the Czech Republic and Hungary, should remain among the lowest in the EU. Inflation rates are forecast to rise across all geographies. In most countries, sustained competitiveness should again result in sustainable current account balances. The fiscal situation should likewise improve again after the significant budget deficits posted in the year 2020. Public debt is projected to remain largely stable, albeit at significantly elevated levels.

Against this backdrop, Erste Group expects net loan growth in the mid to high-single digits. This performance as well as interest rate tailwinds should lead to a low-single digit increase in net interest income despite negative interest rates in the euro zone. The second most important income component – net fee and commission income – is expected to rise in the low double digits. As in 2020, positive momentum should again come from fund management, the securities business, insurance brokerage as well as a recovery in payment services fees. Given the average result seen in 2020, the net trading and fair value result is expected to come in higher. 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 markedly in 2021. Operating expenses are expected to rise only slightly in 2021. In addition, Erste Group will continue to invest in IT in 2021 and thus strengthening its competitive position, with a focus on progressive IT modernisation, back office digitalisation and expansion of the digital platform George. The rollout of George in Hungary and Croatia should be completed in 2021, as a result of which customers will be able to access George in the six largest core markets. Adding it all up, Erste Group's expects operating result to grow by a double-digit percentage.

Based on the improved macro outlook described above, risks costs should decline significantly in 2021. While precise forecasting is hard in the current Covid-19 environment, Erste Group believes that in 2021 risk costs will not exceed 15 basis points of average gross customer loans. The NPL ratio is expected at approximately 2.5%.

Other operating result is expected to remain unchanged in the absence of significant one-off effects. Assuming a lower tax rate of about 19% and despite higher minority charges than in the previous year, Erste Group aims to achieve a significant improvement in net profit resulting in a double-digit ROTE. Erste Group's CET1 ratio is expected to remain strong. As the ECB lifted its dividend recommendation, an additional EUR 1/share is expected to be paid in the fourth quarter of 2021 following approval by an extraordinary general meeting. For the 2021 fiscal year Erste Group targets a dividend of EUR 1.6 per share, thereby returning to its progressive dividend policy.

Potential risks to the guidance are besides other than expected (geo)political, economic (monetary and fiscal policies) and regulatory measures and developments also 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. 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.

PERFORMANCE IN DETAIL

in EUR million	1-9 20	1-9 21	Change
Net interest income	3,589.3	3,669.5	2.2%
Net fee and commission income	1,448.3	1,690.4	16.7%
Net trading result and gains/losses from financial instruments at FVPL	90.4	201.0	>100.0%
Operating income	5,285.8	5,735.0	8.5%
Operating expenses	-3,123.2	-3,141.0	0.6%
Operating result	**2,162.7**	**2,594.0**	**19.9%**
Impairment result from financial instruments	-870.1	-51.6	-94.1%
Other operating result	-213.6	-243.3	13.9%
Levies on banking activities	-100.3	-71.6	-28.6%
Pre-tax result from continuing operations	**1,078.4**	**2,282.1**	**>100.0%**
Taxes on income	-264.2	-433.6	64.1%
Net result for the period	**814.2**	**1,848.5**	**>100.0%**
Net result attributable to non-controlling interests	177.1	397.2	>100.0%
Net result attributable to owners of the parent	**637.1**	**1,451.4**	**>100.0%**

Net interest income

Net interest income rose to EUR 3,669.5 million (EUR 3,589.3 million). Positive contributions came from the one-off effect from the take-up of TLTRO III funds in Austria and in Slovakia in the amount of EUR 92.4 million (EUR 8.0 million) as well as from a significant decline in modification losses from lending, which are reported in net interest income. Although low interest rates had a negative impact on this line item in a number of core markets, net interest income increased in the Czech Republic, Hungary and Serbia. 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 2.04% (2.09%).

Net fee and commission income

Net fee and commission income increased to EUR 1,690.4 million (EUR 1,448.3 million). Growth was recorded across all fee and commission categories and all core markets. The most notable rises were seen in payment services in Austria, Romania and Slovakia as well as in the securities business and in asset management in Austria. Significant growth was also achieved in the securities business in the Czech Republic.

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 resulting from interest rate developments in the derivatives business as well as continued growth in foreign exchange trading, net trading result improved to EUR 67.5 million (EUR 9.0 million). Gains/losses from financial instruments measured at fair value through profit or loss rose to EUR 133.5 million (EUR 81.4 million). With long-term interest rates up, small losses from the valuation of the securities and loan portfolios measured at fair value were offset by significantly higher gains from the valuation of debt securities in issue.

General administrative expenses

in EUR million	1-9 20	1-9 21	Change
Personnel expenses	1,902.2	1,881.3	-1.1%
Other administrative expenses	819.0	846.6	3.4%
Depreciation and amortisation	402.0	413.2	2.8%
General administrative expenses	**3,123.2**	**3,141.0**	**0.6%**

General administrative expenses rose to EUR 3,141.0 million (EUR 3,123.2 million). **Personnel expenses** decreased to EUR 1,881.3 million (EUR 1,902.2 million). On the back of lower average headcounts, cost reductions were achieved primarily in Austria and Romania. **Other administrative expenses** were up at EUR 846.6 million (EUR 819.0 million). In addition to higher IT expenses, contributions to deposit insurance systems – except for Serbia already for the full year – increased substantially to EUR 113.1 million (EUR 100.3 million). Contributions were up sharply in Austria to EUR 78.2 million (EUR 67.1 million) and in Slovakia to EUR 9.4 million (EUR 1.1 million). No further payments are currently due in Croatia. **Depreciation and amortisation** amounted to EUR 413.2 million (EUR 402.0 million).

Headcount as of end of the period

	Dec 20	Sep 21	Change
Austria	**15,942**	**15,835**	**-0.7%**
Erste Group, EB Oesterreich and subsidiaries	8,866	8,711	-1.8%
Haftungsverbund savings banks	7,076	7,124	0.7%
Outside Austria	**29,748**	**29,043**	**-2.4%**
Česká spořitelna Group	9,820	9,673	-1.5%
Banca Comercială Română Group	5,645	5,417	-4.0%
Slovenská sporiteľňa Group	3,770	3,676	-2.5%
Erste Bank Hungary Group	3,227	3,223	-0.1%
Erste Bank Croatia Group	3,252	3,234	-0.5%
Erste Bank Serbia Group	1,198	1,207	0.8%
Savings banks subsidiaries	1,625	1,436	-11.6%
Other subsidiaries and foreign branch offices	1,213	1,177	-2.9%
Total	**45,690**	**44,878**	**-1.8%**

Operating result

Operating income increased to EUR 5,735.0 million (+8.5%; EUR 5,285.8 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 increased only moderately to EUR 3,141.0 million (+0.6%; EUR 3,123.2 million) due to lower personnel expenses, despite an increase in other administrative expenses and depreciation and amortisation. The operating result rose to EUR 2,594.0 million (+19.9%; EUR 2,162.7 million). The cost/income ratio improved to 54.8% (59.1%).

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 16.9 million (EUR 0.5 million). This line item includes primarily losses from the derecognition of liabilities and gains/losses from the sale of securities.

Impairment result from financial instruments

The impairment result from financial instruments amounted to EUR -51.6 million (EUR -870.1 million). Net allocations to provisions for loans and advances declined to EUR 47.4 million (EUR 870.5 million), those for commitments and guarantees given to EUR 45.9 million (EUR 75.8 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 57.5 million (EUR 110.4 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 -243.3 million (EUR -213.6 million). Levies on banking activities declined to EUR 71.6 million (EUR 100.3 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 were slightly up at EUR 20.9 million (EUR 19.0 million). Hungarian banking tax – already posted upfront for the full year 2021 – rose slightly to EUR 14.9 million (EUR 14.4 million). Together with the financial transaction tax of EUR 35.7 million (EUR 33.1 million), banking levies in Hungary totalled EUR 50.6 million (EUR 47.5 million).

The balance of allocations/releases of other provisions improved to EUR 8.4 million (EUR -1.9 million). Other operating result also reflects the annual contributions to resolution funds in the amount of EUR 108.5 million (EUR 93.7 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).

Net result

The pre-tax result from continuing operations amounted to EUR 2,282.1 million (EUR 1,078.4 million). Taxes on income increased to EUR 433.6 million (EUR 264.2 million). The minority charge rose to EUR 397.2 million (EUR 177.1 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 1,451.4 million (EUR 637.1 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Financial results from the third quarter of 2021 are compared with those from the second quarter of 2021.

in EUR million	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Income statement					
Net interest income	1,192.4	1,185.6	1,172.1	1,276.5	1,220.8
Net fee and commission income	491.6	528.5	540.0	559.0	591.4
Dividend income	0.9	4.3	4.8	15.6	7.7
Net trading result	28.2	128.6	9.5	33.6	24.3
Gains/losses from financial instruments measured at fair value through profit or loss	52.9	-19.4	56.9	26.7	49.9
Net result from equity method investments	4.0	0.5	1.5	4.7	3.8
Rental income from investment properties & other operating leases	44.0	41.3	43.7	45.9	46.5
Personnel expenses	-636.7	-618.5	-622.4	-626.5	-632.4
Other administrative expenses	-235.6	-339.9	-345.8	-235.5	-265.3
Depreciation and amortisation	-136.1	-138.9	-135.1	-137.8	-140.3
Gains/losses from derecognition of financial assets at AC	-0.1	6.6	2.5	0.8	-1.4
Other gains/losses from derecognition of financial instruments not at FVPL	1.4	0.3	-0.3	-0.3	-18.2
Impairment result from financial instruments	-194.7	-424.7	-35.7	-47.2	31.3
Other operating result	-43.8	-64.6	-126.7	-45.6	-70.9
Levies on banking activities	-17.3	-17.4	-33.2	-19.0	-19.4
Pre-tax result from continuing operations	**568.3**	**289.6**	**565.1**	**870.1**	**847.0**
Taxes on income	-123.9	-78.3	-124.3	-163.0	-146.3
Net result for the period	**444.4**	**211.3**	**440.8**	**707.0**	**700.7**
Net result attributable to non-controlling interests	101.0	65.2	85.7	144.2	167.3
Net result attributable to owners of the parent	**343.3**	**146.0**	**355.1**	**562.9**	**533.4**

Net interest income declined to EUR 1,220.8 million (-4.4%; EUR 1,276.5 million). In the previous quarter, a positive contribution resulting from the uptake of TLTRO III funds in Austria and Slovakia led to a positive a one-off effect of EUR 92.4 million. Increases were recorded in the Czech Republic and Hungary on the back of rising interest rates while in all other core markets net interest income remained stable. **Net fee and commission income** rose to EUR 591.4 million (+5.8%; EUR 559.0 million). Growth was registered in all core markets, most notably in payment services. Dividend income declined to EUR 7.7 million (EUR 15.6 million) due to seasonal effects. The decline in **net trading result** to EUR 24.3 million (EUR 33.6 million) is mostly attributable to foreign exchange trading as well as valuation effects in the derivatives and securities business resulting from interest rate developments. Gains/losses from financial instruments measured at fair value through profit or loss rose to EUR 49.9 million (EUR 26.7 million), primarily due to valuation gains of debt securities issued driven by interest rate developments.

General administrative expenses rose to EUR 1,038.0 million (+3.8%; EUR 999.7 million). Personnel expenses increased to EUR 632.4 million (+0.9%; EUR 626.5 million). Other administrative expenses rose to EUR 265.3 million (+12.6%; EUR 235.5 million), mainly due to higher IT expenditure in Austria. Depreciation and amortisation increased to EUR 140.3 million (EUR 137.8 million). The **cost/income ratio** stood at 53.4% (51.0%).

Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR -19.6 million (EUR 0.5 million) due to one-off losses from derecognition of liabilities.

The **impairment result from financial instruments** amounted to EUR 31.3 million (EUR -47.2 million). Net releases of provisions for loans had a positive impact primarily in Austria and Slovakia.

Other operating result deteriorated to EUR -70.9 million (EUR -45.6 million) due to valuation effects in the Holding. Levies on banking activities amounted to EUR 19.4 million (EUR 19.0 million). Thereof, EUR 12.4 million (EUR 11.9 million) were charged in Hungary. This amount reflects almost exclusively transaction taxes as the full amount of 2021 banking tax of EUR 14.7 million had already been posted upfront in the first quarter. Banking tax in Austria was unchanged quarter on quarter at EUR 7.0 million (EUR 7.0 million).

The **pre-tax result** declined to EUR 847.0 million (EUR 870.1 million). Taxes on income amounted to EUR 146.3 million (EUR 163.0 million). The minority charge rose to EUR 167.3 million (EUR 144.2 million). As a result, the **net result attributable to owners of the parent** amounted to EUR 533.4 million (EUR 562.9 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 20	Sep 21	Change
Assets			
Cash and cash balances	35,839	47,125	31.5%
Trading, financial assets	46,849	51,239	9.4%
Loans and advances to banks	21,466	27,749	29.3%
Loans and advances to customers	166,050	175,929	5.9%
Intangible assets	1,359	1,326	-2.4%
Miscellaneous assets	5,830	5,872	0.7%
Total assets	**277,394**	**309,240**	**11.5%**
Liabilities and equity			
Financial liabilities held for trading	2,625	2,193	-16.5%
Deposits from banks	24,771	35,387	42.9%
Deposits from customers	191,070	207,506	8.6%
Debt securities issued	30,676	33,505	9.2%
Miscellaneous liabilities	5,840	6,696	14.7%
Total equity	22,410	23,954	6.9%
Total liabilities and equity	**277,394**	**309,240**	**11.5%**

The rise in **cash and cash balances** to EUR 47.1 billion (EUR 35.8 billion) was primarily due to increasing cash balances held at central banks, not least due to higher TLTRO funds. **Trading and investment securities** held in various categories of financial assets rose to EUR 51.2 billion (EUR 46.8 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, increased primarily in the Czech Republic to EUR 27.7 billion (EUR 21.5 billion). **Loans and advances to customers (net)** rose – most notably in Austria and the Czech Republic – to EUR 175.9 billion (EUR 166.1 billion) driven by retail and corporate loan growth.

Loan loss allowances for loans to customers were unchanged at EUR 4.0 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) to 92.7% (88.6%).

Intangible assets remained nearly unchanged at EUR 1.3 billion (EUR 1.4 billion). **Miscellaneous assets** amounted to EUR 5.9 billion (EUR 5.8 billion).

Financial liabilities – held for trading declined to EUR 2.2 billion (EUR 2.6 billion). **Deposits from banks**, primarily in the form of term deposits, rose to EUR 35.4 billion (EUR 24.8 billion), including TLTRO III funds with a carrying amount of EUR 20.7 billion (EUR 14.1 billion); **deposits from customers** increased to EUR 207.5 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 significantly to 84.8% (86.9%). **Debt securities in issue** increased to EUR 33.5 billion (EUR 30.7 billion). **Miscellaneous liabilities** amounted to EUR 6.7 billion (EUR 5.8 billion).

Total assets rose to EUR 309.2 billion (EUR 277.4 billion). **Total equity** increased to EUR 24.0 billion (EUR 22.4 billion). This includes AT1 instruments in the amount of EUR 2,733.0 million from five issuances (June 2016, 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 18.3 billion (EUR 17.1 billion) as were total **own funds** (CRR final) to EUR 23.9 billion (EUR 23.6 billion). The above figures do include interim profit for the first half of the year but not the third quarter. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR final) – increased moderately to EUR 128.5 billion (EUR 120.2 billion).

The **total capital ratio**, total eligible qualifying capital in relation to total risk (CRR final), stood at 18.6% (19.7%), well above the legal minimum requirement. The **tier 1 ratio** stood at 16.0% (16.5%), the **common equity tier 1 ratio** at 14.2% (14.2%) (both ratios CRR final).

SEGMENT REPORTING

January-June 2021 compared with January-September 2020

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

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

GEOGRAPHICAL (OPERATING) SEGMENTS

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-9 20	1-9 21	Change
Net interest income	482.4	482.3	0.0%
Net fee and commission income	300.4	334.6	11.4%
Net trading result and gains/losses from financial instruments at FVPL	10.1	12.3	20.8%
Operating income	843.5	881.6	4.5%
Operating expenses	-519.2	-518.5	-0.1%
Operating result	324.3	363.0	11.9%
Cost/income ratio	61.5%	58.8%	
Impairment result from financial instruments	-96.7	-17.2	-82.2%
Other result	-13.7	-24.6	79.4%
Net result attributable to owners of the parent	173.6	226.3	30.4%
Return on allocated capital	16.3%	16.8%	

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

Net interest income remained stable, as the one-off booking related to TLTRO III refinancing with ECB (EUR 20.1 million) and higher loan volumes were offset by lower margins for customer loans and higher interest expense from placement of excess liquidity. Net fee and commission income rose on the back of higher income from securities and payment fees. The improvement in net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses were stable mainly due to lower IT and personnel costs offsetting the increase of the deposit insurance contribution to EUR 32.3 million (EUR 31.4 million). Consequently, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved as last year updated risk parameters with forward looking information and stage overlays related to the Covid-19 crisis led to significantly higher risk provisioning. Other result worsened mainly due to lower selling gains from real estate. Payments into the resolution fund increased to EUR 12.3 million (EUR 10.5 million). Banking tax amounted to EUR 3.2 million (EUR 2.7 million). Overall, the net result attributable to owners of the parent improved significantly.

Savings Banks

in EUR million	1-9 20	1-9 21	Change
Net interest income	801.6	808.2	0.8%
Net fee and commission income	381.2	425.5	11.6%
Net trading result and gains/losses from financial instruments at FVPL	-11.7	31.2	n/a
Operating income	1,202.3	1,299.3	8.1%
Operating expenses	-818.3	-814.8	-0.4%
Operating result	384.0	484.6	26.2%
Cost/income ratio	68.1%	62.7%	
Impairment result from financial instruments	-165.5	52.1	n/a
Other result	-9.2	-10.7	16.1%
Net result attributable to owners of the parent	33.5	68.6	>100.0%
Return on allocated capital	6.5%	14.3%	

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

Net interest income increased due to a one-off booking related to TLTRO III refinancing with ECB (EUR 13 million) and higher loan volumes, largely offset by lower margins for customer loans and higher interest expense on the placement of excess liquidity. Net fee and commission income increased on the back of higher securities and payment fees. The notable improvement of net trading result and gains/losses from financial instruments at FVPL was primarily driven by valuation effects. Operating expenses declined marginally as lower IT and personnel costs offset the increase in payments into the deposit insurance fund to EUR 45.9 million (EUR 35.6 million). Overall, operating result as well as the cost/income ratio improved. Impairment result from financial instruments improved and resulted in a net release as last year updated risk parameters with forward looking information and stage overlays related to the Covid-19 crisis led to significantly higher risk provisioning. Other result remained largely stable. The resolution fund contribution amounted to EUR 11.2 million (EUR 9.5 million). Banking tax remained almost unchanged at EUR 3.8 million (EUR 3.4 million). Overall, the net result attributable to the owners of the parent increased considerably.

Other Austria

in EUR million	1-9 20	1-9 21	Change
Net interest income	341.3	298.2	-12.6%
Net fee and commission income	180.6	222.2	23.0%
Net trading result and gains/losses from financial instruments at FVPL	-48.6	41.8	n/a
Operating income	507.9	595.6	17.3%
Operating expenses	-268.0	-256.4	-4.4%
Operating result	239.8	339.2	41.4%
Cost/income ratio	52.8%	43.0%	
Impairment result from financial instruments	-152.4	-13.9	-90.9%
Other result	3.5	-2.7	n/a
Net result attributable to owners of the parent	67.9	234.6	>100.0%
Return on allocated capital	4.7%	13.1%	

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

Net interest income went down primarily in Holding markets business on the back of unfavorable market interest rate developments, partially compensated by higher result from corporate lending in the Holding. Net fee and commission income increased due to a higher contribution of securities business and higher assets under management with institutional clients in Austria as well as the good development of corporate lending in the Holding. Net trading result and gains/losses from financial instruments at FVPL improved significantly due to valuation results of interest rate derivatives, FX derivatives and bonds. Overall, operating income improved notably while operating expenses decreased, mostly on lower costs in foreign branches. Consequently, operating result and the cost/income improved. The impairment result from financial instruments improved as last year updated risk parameters with forward looking information and stage overlays related to the Covid-19 crisis led to significant risk provisioning in the corporate portfolio. Other result deteriorated as higher real estate selling gains and lower provisions for non-financial commitments were more than offset by breakage costs related to an early loan repayment. Other result included the resolution fund contribution of EUR 5.8 million (EUR 6.9 million). Overall, the net result attributable to owners of the parent improved significantly.

Czech Republic

in EUR million	1-9 20	1-9 21	Change
Net interest income	788.4	821.3	4.2%
Net fee and commission income	229.8	267.8	16.5%
Net trading result and gains/losses from financial instruments at FVPL	76.2	57.6	-24.4%
Operating income	1,102.3	1,160.2	5.2%
Operating expenses	-549.7	-575.6	4.7%
Operating result	552.7	584.5	5.8%
Cost/income ratio	49.9%	49.6%	
Impairment result from financial instruments	-177.2	-51.6	-70.9%
Other result	-35.3	-37.8	7.1%
Net result attributable to owners of the parent	270.0	384.3	42.4%
Return on allocated capital	13.9%	17.1%	

The segment analysis is done on a constant currency basis. The CZK appreciated by 2.4% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) increased as higher business volumes and the non-recurrence of loan repayment moratorium modification losses more than offset significantly lower interest rates. The increase in net fee and commission income was mainly driven by higher securities and insurance brokerage fees. Negative valuation effects resulted in a lower net trading result and gains/losses from financial instruments at FVPL. Operating expenses increased due to higher personnel as well as IT costs. Contribution into the deposit insurance fund amounted to EUR 10.8 million (EUR 10.2 million). Overall, the operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved significantly as last year updated risk parameters with forward looking information and stage overlays related to the Covid-19 crisis led to high risk provisioning. Other result deteriorated mainly due to higher contributions to the resolution fund of EUR 31.8 million (EUR 29.2 million) and lower income after the sale of a subsidiary. Altogether, these developments led to a significant improvement in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-9 20	1-9 21	Change
Net interest income	328.6	327.6	-0.3%
Net fee and commission income	106.4	128.1	20.4%
Net trading result and gains/losses from financial instruments at FVPL	8.6	6.5	-24.9%
Operating income	447.8	467.5	4.4%
Operating expenses	-214.0	-216.7	1.3%
Operating result	233.8	250.8	7.2%
Cost/income ratio	47.8%	46.4%	
Impairment result from financial instruments	-86.6	1.6	n/a
Other result	-40.4	-9.9	-75.6%
Net result attributable to owners of the parent	81.8	184.7	>100.0%
Return on allocated capital	9.9%	19.8%	

Net interest income in the Slovakia segment (comprising Slovenská sporitel'ňa Group) decreased slightly as the negative impact of lower consumer loan volumes and lower margins for housing loans in the retail business was only partially compensated by a one-off booking related to TLTRO III refinancing with ECB (EUR 12.9 million). Net fee and commission income increased on the back of higher income from payment, securities and insurance brokerage fees. Net trading result and gains/losses from financial instruments at FVPL decreased due to valuation effects. Operating expenses increased due to a higher deposit insurance contribution of EUR 9.4 million (EUR 1.1 million) on the back of a methodology change. This increase was partially compensated by lower depreciation and personnel expenses. Consequently, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved significantly as last year updated risk parameters with forward looking information and stage overlays related to Covid-19 crisis led to high risk provisioning. Other result improved due to the abolition of the banking tax as of the second half of last year (EUR 33.8 million in the first half year of 2020). Payment into the resolution fund increased slightly to EUR 4.7 million (EUR 4.0 million). Overall, the net result attributable to the owners of the parent increased significantly.

Romania

in EUR million	1-9 20	1-9 21	Change
Net interest income	328.3	321.7	-2.0%
Net fee and commission income	103.9	126.2	21.4%
Net trading result and gains/losses from financial instruments at FVPL	53.2	54.4	2.4%
Operating income	502.2	521.1	3.7%
Operating expenses	-251.7	-244.3	-2.9%
Operating result	250.6	276.7	10.4%
Cost/income ratio	50.1%	46.9%	
Impairment result from financial instruments	-57.5	-14.3	-75.2%
Other result	-11.2	-26.9	>100.0%
Net result attributable to owners of the parent	141.3	195.1	38.1%
Return on allocated capital	13.6%	15.2%	

The segment analysis is done on a constant currency basis. The RON depreciated by 1.8% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group), in particular in the retail business, was negatively impacted by the lower interest rate environment. Higher customer loan volumes in retail and corporate business contributed positively. Net fee and commission income improved mainly due to higher payment fees in retail and corporate business. Securities, insurance brokerage and lending fees went up as well. The increase of net trading result and gains/losses from financial instruments at FVPL was attributable to an improved contribution from FX business. Operating expenses decreased mainly due to lower personnel expenses driven by deconsolidation of a subsidiary as well as a lower deposit insurance contribution of EUR 3.4 million (EUR 4.4 million). Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved as last year updated risk parameters with forward looking information and stage overlays related to the Covid-19 crisis led to higher risk provisioning. The worsening of the other result was driven by a provision related to tax litigation and a higher resolution fund contribution of EUR 11.4 million (EUR 7.7 million). The net result attributable to the owners of the parent increased notably.

Hungary

in EUR million	1-9 20	1-9 21	Change
Net interest income	160.9	192.8	19.8%
Net fee and commission income	131.5	152.3	15.8%
Net trading result and gains/losses from financial instruments at FVPL	13.3	24.9	87.1%
Operating income	311.6	376.2	20.7%
Operating expenses	-159.8	-170.3	6.6%
Operating result	151.8	205.9	35.6%
Cost/income ratio	51.3%	45.3%	
Impairment result from financial instruments	-59.2	-5.9	-90.0%
Other result	-51.8	-60.0	15.7%
Net result attributable to owners of the parent	27.3	120.0	>100.0%
Return on allocated capital	3.8%	13.5%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 2.4% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased due to higher customer loan and deposit volumes as well as a positive contribution from securities and money market placements. Net fee and commission income rose on higher securities and payment fees. Net trading result and gains/losses from financial instruments at FVPL increased due to valuation effects. Operating expenses went up on the back of higher personnel costs and depreciation. Deposit insurance contributions went up to EUR 7.2 million (EUR 5.9 million). Overall, operating result and the cost/income ratio improved. The significant improvement of the impairment result from financial instruments was a consequence of last year's update of risk parameters with forward looking information and stage overlays related to the Covid-19 crisis. The worsening of the other result was driven by the temporary booking of the estimated loss related to loan moratorium extension and the estimated interest refund related to revolving loans in moratoria. This line item also included the banking tax of EUR 14.9 million (EUR 14.4 million), transaction tax of EUR 35.7 million (EUR 33.1 million) and the contribution to the resolution fund of EUR 5.7 million (EUR 3.5 million). Consequently, the net result attributable to the owners of the parent increased significantly.

Croatia

in EUR million	1-9 20	1-9 21	Change
Net interest income	202.7	203.0	0.1%
Net fee and commission income	71.6	78.0	8.9%
Net trading result and gains/losses from financial instruments at FVPL	15.4	21.6	39.8%
Operating income	299.4	310.2	3.6%
Operating expenses	-165.4	-159.9	-3.3%
Operating result	134.1	150.3	12.1%
Cost/income ratio	55.2%	51.6%	
Impairment result from financial instruments	-74.6	-0.5	-99.3%
Other result	-12.5	10.3	n/a
Net result attributable to owners of the parent	33.5	90.5	>100.0%
Return on allocated capital	7.4%	16.3%	

The segment analysis is done on a constant currency basis. The HRK remained largely stable against the EUR in the reporting period. Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) remained stable as the effect of the lower interest rate environment was offset by the non-recurrence of modification losses related to loan moratoria booked last year. Net fee and commission income went up due to higher payment and lending fees. Net trading result and gains/losses from financial instruments at FVPL improved driven by a higher result from foreign currency transactions and valuation effects. Operating expenses decreased on the back of a lower deposit insurance contribution of EUR 0.9 million (EUR 9.2 million) partially offset by higher IT and personnel costs. Overall, operating result and the cost/income ratio improved. The significant improvement of the impairment result from financial instruments was a consequence of last year's update of risk parameters with forward looking information and stage overlays related to the Covid-19 crisis which lead to high risk provisioning. Other result improved mainly due to releases of provisions for legal expenses and the lower resolution fund contribution of EUR 3.4 million (EUR 5.7 million). Consequently, the net result attributable to the owners of the parent increased notably.

Serbia

in EUR million	1-9 20	1-9 21	Change
Net interest income	48.0	54.1	12.7%
Net fee and commission income	11.6	14.3	22.8%
Net trading result and gains/losses from financial instruments at FVPL	2.8	4.2	51.3%
Operating income	62.5	72.7	16.3%
Operating expenses	-41.9	-44.1	5.3%
Operating result	20.6	28.6	38.8%
Cost/income ratio	67.0%	60.7%	
Impairment result from financial instruments	-6.7	-6.8	2.8%
Other result	-0.6	-4.2	>100.0%
Net result attributable to owners of the parent	10.1	13.4	33.0%
Return on allocated capital	7.7%	8.6%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) remained stable against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased mainly due to higher loan and deposit volumes in retail and corporate business. Net fee and commission income went up due to higher payment fees. Net trading result and gains/losses from financial instruments at FVPL increased driven by a higher result from foreign currency transactions and derivatives. Operating expenses rose mainly due to higher personnel expenses owing to an increase in full time employees. Deposit insurance contribution rose to EUR 3.1 million (EUR 2.6 million). Operating result increased and the cost/income ratio improved. Impairment result from financial instruments remained largely stable. Other result deteriorated due to higher provisions for litigations. Overall, the net result attributable to owners of the parent increased.

Other

in EUR million	1-9 20	1-9 21	Change
Net interest income	107.0	160.4	49.8%
Net fee and commission income	-68.8	-58.4	-15.1%
Net trading result and gains/losses from financial instruments at FVPL	-29.1	-53.6	84.4%
Operating income	6.2	50.8	>100.0%
Operating expenses	-135.3	-140.3	3.7%
Operating result	-129.1	-89.5	-30.6%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	6.2	5.1	-18.5%
Other result	-42.8	-93.7	>100.0%
Net result attributable to owners of the parent	-201.8	-66.2	-67.2%
Return on allocated capital	-3.6%	-1.3%	

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

Operating income improved primarily due to one-off booking related to TLTRO III refinancing with ECB partially offset by a lower valuation result. As operating expenses went up only slightly, operating result improved. Other result deteriorated on the back of negative valuation effects. The tax charge developed positively. Consequently, the net result attributable to owners of the parent improved.

BUSINESS SEGMENTS

Retail

in EUR million	1-9 20	1-9 21	Change
Net interest income	1,579.7	1,552.5	-1.7%
Net fee and commission income	768.9	892.2	16.0%
Net trading result and gains/losses from financial instruments at FVPL	60.8	84.8	39.4%
Operating income	2,431.6	2,553.2	5.0%
Operating expenses	-1,543.2	-1,550.1	0.4%
Operating result	888.4	1,003.1	12.9%
Cost/income ratio	63.5%	60.7%	
Impairment result from financial instruments	-305.9	-53.8	-82.4%
Other result	-63.1	-51.5	-18.3%
Net result attributable to owners of the parent	425.1	705.7	66.0%
Return on allocated capital	17.9%	27.0%	

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

The decrease in net interest income was driven by a change in transfer prices related to the deposit business as a response to the lower interest rate environment, leading to a negative impact in the Retail segment and a corresponding positive effect in ALM & Local Corporate Center. Contributions from the lending business in Slovakia and Austria declined primarily on the impact of lower market rates. These negative effects were partially mitigated by the growth of customer loan volumes across all markets. Net fee and commission income increased due to higher fees from securities business, higher payment fees and improved insurance brokerage fees. Net trading result and gains/losses from financial instruments FVPL increased due to higher foreign currency transactions in the Czech Republic, Hungary, Croatia and Romania as well as positive valuation effects in Hungary. Operating expenses increased moderately mainly due to higher personnel and IT expenses, partially offset by a lower deposit insurance contribution in Croatia. Consequently, operating result increased and the cost/income ratio improved. The impairment result from financial instruments improved significantly across all markets as last year updated risk parameters with forward looking information and stage overlays related to the Covid-19 crisis led to high risk provisioning. While the abolition of the banking tax in Slovakia as of the second half of last year led to an improvement in other result, this effect was partially offset by the temporary booking of the moratoria induced provisions in Hungary. Overall, the net result attributable to the owners of the parent increased significantly.

Corporates

in EUR million	1-9 20	1-9 21	Change
Net interest income	826.4	868.9	5.1%
Net fee and commission income	207.1	238.1	15.0%
Net trading result and gains/losses from financial instruments at FVPL	29.9	72.7	>100.0%
Operating income	1,145.5	1,262.2	10.2%
Operating expenses	-398.1	-397.0	-0.3%
Operating result	747.3	865.2	15.8%
Cost/income ratio	34.8%	31.5%	
Impairment result from financial instruments	-384.3	-59.4	-84.6%
Other result	-39.3	-13.4	-65.8%
Net result attributable to owners of the parent	218.5	595.7	>100.0%
Return on allocated capital	7.4%	16.0%	

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

Net interest income improved primarily due to higher customer loan volumes as well as higher income from early loan repayments. Net fee and commission income increased because of higher payment, lending and securities fees. Net trading result and gains/losses from financial instruments at FVPL improved significantly due to positive valuation effects mainly in the Holding and the Czech Republic. Operating expenses went down slightly. Consequently, operating result went up and the cost/income ratio improved. The impairment result from financial instruments improved significantly as last year updated risk parameters with forward looking information and stage overlays related to the Covid-19 crisis led to high risk provisioning. Other result improved mainly due to real estate selling gains as well as the release of provisions for legal expenses. Consequently, the net result attributable to the owners of the parent improved significantly.

Group Markets

in EUR million	1-9 20	1-9 21	Change
Net interest income	192.7	139.0	-27.9%
Net fee and commission income	172.3	215.4	25.0%
Net trading result and gains/losses from financial instruments at FVPL	5.3	84.3	>100.0%
Operating income	369.8	439.4	18.8%
Operating expenses	-170.8	-174.1	1.9%
Operating result	198.9	265.4	33.4%
Cost/income ratio	46.2%	39.6%	
Impairment result from financial instruments	-10.2	-5.8	-43.5%
Other result	-19.2	-23.9	24.4%
Net result attributable to owners of the parent	132.4	181.9	37.4%
Return on allocated capital	20.8%	22.9%	

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

Net interest income decreased on the back of lower market interest rates. Net fee and commission income increased mostly due to the higher contribution of the securities business driven among others by higher assets under management with institutional clients in Austria. Net trading result and gains/losses from financial instruments at FVPL improved significantly due to valuation results of interest rate derivatives, FX derivatives and bonds. Overall, operating income increased notably. As operating expenses went up only slightly, operating result increased significantly, and the cost/income ratio improved. Impairment result from financial instruments improved due to lower provisioning requirements in Austria. Other result deteriorated mainly due to higher contributions to the resolution funds in Czech Republic and Romania. Overall, the net result attributable to the owners of the parent improved significantly.

Asset/Liability Management & Local Corporate Center

in EUR million	1-9 20	1-9 21	Change
Net interest income	54.7	181.8	>100.0%
Net fee and commission income	-58.4	-65.0	11.5%
Net trading result and gains/losses from financial instruments at FVPL	18.6	-12.6	n/a
Operating income	43.5	136.6	>100.0%
Operating expenses	-73.8	-80.1	8.6%
Operating result	-30.3	56.5	n/a
Cost/income ratio	>100%	58.6%	
Impairment result from financial instruments	-12.0	9.9	n/a
Other result	-68.6	-80.1	16.8%
Net result attributable to owners of the parent	-74.7	-51.6	-30.9%
Return on allocated capital	-3.3%	-1.7%	

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

Net interest income improved primarily due to a one-off booking related to TLTRO III refinancing with ECB (EUR 79.3 million), lower transfer prices that led to a negative impact in the retail segment and a corresponding positive effect in ALM & LCC as well as lower refinancing costs in the Holding and higher income from investments in Hungary. These effects were partially offset by higher interest expense from the placement of excess liquidity with ECB. Net fee and commission income decreased mainly due to higher internal fee recharge between Group Markets and ALM & LCC in the Czech Republic. The worsening of net trading result and gains/losses from financial instruments at FVPL was driven by valuation effects. Operating expenses increased mainly due to higher deposit insurance contributions in Erste Bank Oesterreich and Slovakia. Overall, operating result improved. Other result worsened primarily due to breakage costs in Austria related to an early loan repayment and a provision related to tax litigation in Romania, partially compensated by higher real estate selling gains in Romania and the Czech Republic. Consequently, the net result attributable to the owners of the parent improved.

Savings Banks

The business segment Savings Banks is identical to the geographical (operating) segment Savings Banks.

Group Corporate Center

in EUR million	1-9 20	1-9 21	Change
Net interest income	65.6	73.2	11.5%
Net fee and commission income	6.7	3.4	-49.8%
Net trading result and gains/losses from financial instruments at FVPL	37.6	-22.1	n/a
Operating income	104.7	55.0	-47.5%
Operating expenses	-746.3	-663.2	-11.1%
Operating result	-641.6	-608.2	-5.2%
Cost/income ratio	>100.0%	>100.0%	
Impairment result from financial instruments	7.8	5.4	-31.1%
Other result	601.1	446.9	-25.7%
Net result attributable to owners of the parent	-97.7	-48.9	-49.9%
Return on allocated capital	-2.0%	-1.2%	

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

Operating income decreased on lower net trading result and gains/losses from financial instruments at FVPL due to valuation effects. Operating expenses decreased on eliminated costs between the two IT entities after their merger – countereffect in intercompany eliminations. Other result deteriorated due to negative valuation effects as well as intercompany effects. The tax charge developed positively. All in all, the net result attributable to owners of the parent improved.

Condensed interim consolidated financial statements

Interim report – 1 January to 30 September 2021

Consolidated statement of income

in EUR thousand	Notes	1-9 20	1-9 21
Net interest income	1	3,589,266	3,669,469
Interest income	1	3,882,940	3,708,897
Other similar income	1	1,103,872	1,113,841
Interest expenses	1	-500,979	-337,451
Other similar expenses	1	-896,567	-815,818
Net fee and commission income	2	1,448,332	1,690,403
Fee and commission income	2	1,733,349	1,993,293
Fee and commission expenses	2	-285,017	-302,890
Dividend income	3	15,671	28,142
Net trading result	4	8,982	67,464
Gains/losses from financial instruments measured at fair value through profit or loss	5	81,373	133,506
Net result from equity method investments		9,925	9,956
Rental income from investment properties & other operating leases	6	132,291	136,096
Personnel expenses	7	-1,902,224	-1,881,298
Other administrative expenses	7	-818,990	-846,563
Depreciation and amortisation	7	-401,950	-413,163
Gains/losses from derecognition of financial assets measured at amortised cost	8	193	1,836
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	9	-715	-18,786
Impairment result from financial instruments	10	-870,102	-51,615
Other operating result	11	-213,637	-243,317
Levies on banking activities	11	-100,302	-71,571
Pre-tax result from continuing operations		**1,078,416**	**2,282,130**
Taxes on income	12	-264,212	-433,605
Net result for the period		**814,204**	**1,848,525**
Net result attributable to non-controlling interests		177,123	397,157
Net result attributable to owners of the parent		**637,081**	**1,451,369**

Earnings per share

		1-9 20	1-9 21
Net result attributable to owners of the parent	in EUR thousand	637,081	1,451,369
Dividend on AT1 capital	in EUR thousand	-51,250	-72,210
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	585,831	1,379,159
Weighted average number of outstanding shares		426,348,153	426,246,662
Earnings per share	**in EUR**	**1.37**	**3.24**
Weighted average diluted number of outstanding shares		426,348,153	426,246,662
Diluted earnings per share	**in EUR**	**1.37**	**3.24**

Development of the number of shares

	1-9 20	1-9 21
Shares outstanding at the beginning of the period	408,127,137	405,470,710
Acquisition of treasury shares	-6,472,074	-3,842,619
Disposal of treasury shares	3,915,647	3,814,619
Shares outstanding at the end of the period	405,570,710	405,442,710
Treasury shares	24,229,290	24,357,290
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,348,153	426,246,662
Weighted average diluted number of outstanding shares	426,348,153	426,246,662

Consolidated statement of comprehensive income

in EUR thousand	1-9 20	1-9 21
Net result for the period	**814,204**	**1,848,525**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**161,197**	**83,578**
Remeasurement of defined benefit plans	3,790	51,605
Fair value reserve of equity instruments	-728	2,222
Own credit risk reserve	176,926	45,627
Deferred taxes relating to items that may not be reclassified	-18,792	-15,877
Items that may be reclassified to profit or loss	**-411,348**	**-61,801**
Fair value reserve of debt instruments	13,641	-104,547
Gain/loss during the period	8,936	-104,317
Reclassification adjustments	-698	-1,030
Credit loss allowances	5,403	800
Cash flow hedge reserve	158,310	-174,432
Gain/loss during the period	169,958	-171,454
Reclassification adjustments	-11,647	-2,978
Currency reserve	-548,120	161,161
Gain/loss during the period	-548,120	161,161
Deferred taxes relating to items that may be reclassified	-35,149	56,040
Gain/loss during the period	-38,098	55,245
Reclassification adjustments	2,949	795
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	-29	-23
Total other comprehensive income	**-250,151**	**21,777**
Total comprehensive income	**564,053**	**1,870,302**
Total comprehensive income attributable to non-controlling interests	165,211	403,065
Total comprehensive income attributable to owners of the parent	**398,843**	**1,467,237**

Quarterly results

in EUR million	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21
Income statement					
Net interest income	1,192.4	1,185.6	1,172.1	1,276.5	1,220.8
Interest income	1,237.7	1,225.0	1,208.0	1,226.1	1,274.8
Other similar income	344.6	357.9	339.0	438.8	336.0
Interest expenses	-122.1	-120.3	-104.4	-109.0	-124.1
Other similar expenses	-267.8	-277.0	-270.6	-279.3	-265.9
Net fee and commission income	491.6	528.5	540.0	559.0	591.4
Fee and commission income	587.3	621.2	638.2	655.9	699.1
Fee and commission expenses	-95.7	-92.7	-98.2	-96.9	-107.8
Dividend income	0.9	4.3	4.8	15.6	7.7
Net trading result	28.2	128.6	9.5	33.6	24.3
Gains/losses from financial instruments measured at fair value through profit or loss	52.9	-19.4	56.9	26.7	49.9
Net result from equity method investments	4.0	0.5	1.5	4.7	3.8
Rental income from investment properties & other operating leases	44.0	41.3	43.7	45.9	46.5
Personnel expenses	-636.7	-618.5	-622.4	-626.5	-632.4
Other administrative expenses	-235.6	-339.9	-345.8	-235.5	-265.3
Depreciation and amortisation	-136.1	-138.9	-135.1	-137.8	-140.3
Gains/losses from derecognition of financial assets at AC	-0.1	6.6	2.5	0.8	-1.4
Other gains/losses from derecognition of financial instruments not at FVPL	1.4	0.3	-0.3	-0.3	-18.2
Impairment result from financial instruments	-194.7	-424.7	-35.7	-47.2	31.3
Other operating result	-43.8	-64.6	-126.7	-45.6	-70.9
Levies on banking activities	-17.3	-17.4	-33.2	-19.0	-19.4
Pre-tax result from continuing operations	**568.3**	**289.6**	**565.1**	**870.1**	**847.0**
Taxes on income	-123.9	-78.3	-124.3	-163.0	-146.3
Net result for the period	**444.4**	**211.3**	**440.8**	**707.0**	**700.7**
Net result attributable to non-controlling interests	101.0	65.2	85.7	144.2	167.3
Net result attributable to owners of the parent	**343.3**	**146.0**	**355.1**	**562.9**	**533.4**
Statement of comprehensive income					
Net result for the period	**444.4**	**211.3**	**440.8**	**707.0**	**700.7**
Other comprehensive income					
Items that may not be reclassified to profit or loss	**-56.7**	**-99.2**	**41.2**	**19.3**	**23.1**
Remeasurement of defined benefit plans	-0.7	-64.8	51.1	0.0	0.5
Fair value reserve of equity instruments	0.9	6.5	-2.8	-2.0	7.0
Own credit risk reserve	-57.1	-49.4	7.5	18.6	19.5
Deferred taxes relating to items that may not be reclassified	0.3	8.6	-14.6	2.6	-3.9
Items that may be reclassified to profit or loss	**-147.6**	**188.0**	**-103.5**	**179.7**	**-138.0**
Fair value reserve of debt instruments	20.6	30.7	-62.3	-5.4	-36.9
Gain/loss during the period	23.9	25.8	-61.9	-4.5	-37.9
Reclassification adjustments	-1.6	-0.5	-0.1	-0.3	-0.6
Credit loss allowances	-1.7	5.5	-0.3	-0.6	1.6
Cash flow hedge reserve	-26.4	-59.1	-66.4	-22.0	-86.0
Gain/loss during the period	-23.3	-56.5	-63.8	-21.8	-85.8
Reclassification adjustments	-3.0	-2.6	-2.6	-0.3	-0.2
Currency reserve	-141.4	209.7	-1.8	201.7	-38.7
Gain/loss during the period	-141.4	209.7	-1.8	201.7	-38.7
Deferred taxes relating to items that may be reclassified	-0.5	6.6	27.1	5.4	23.5
Gain/loss during the period	-1.5	5.8	26.4	5.4	23.4
Reclassification adjustments	1.1	0.7	0.6	0.1	0.1
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	0.0	0.0	0.0	0.0
Total	**-204.2**	**88.8**	**-62.3**	**199.0**	**-114.9**
Total comprehensive income	**240.1**	**300.1**	**378.5**	**906.0**	**585.8**
Total comprehensive income attributable to non-controlling interests	102.0	49.8	93.5	143.9	165.7
Total comprehensive income attributable to owners of the parent	**138.1**	**250.3**	**285.0**	**762.2**	**420.0**

Consolidated balance sheet

in EUR thousand	Notes	Dec 20	Sep 21
Assets			
Cash and cash balances	13	35,838,532	47,124,751
Financial assets held for trading		6,356,017	6,244,064
Derivatives	14	2,954,359	2,269,365
Other financial assets held for trading	15	3,401,658	3,974,698
Pledged as collateral		67,952	428,418
Non-trading financial assets at fair value through profit and loss	16	3,082,818	3,105,469
Pledged as collateral		7,950	0
Equity instruments		347,312	316,121
Debt securities		2,048,457	1,953,126
Loans and advances to banks		0	21,021
Loans and advances to customers		687,049	815,202
Financial assets at fair value through other comprehensive income	17	8,518,771	9,074,400
Pledged as collateral		49,995	204,511
Equity instruments		129,756	114,072
Debt securities		8,389,015	8,960,327
Financial assets at amortised cost	18	210,940,419	230,488,281
Pledged as collateral		1,898,545	2,084,644
Debt securities		29,578,919	33,650,997
Loans and advances to banks		21,466,188	27,728,219
Loans and advances to customers		159,895,312	169,109,065
Finance lease receivables	19	4,127,083	4,207,766
Hedge accounting derivatives	20	205,174	93,996
Fair value changes of hedged items in portfolio hedge of interest rate risk		5,271	-1,646
Property and equipment		2,552,076	2,539,125
Investment properties		1,280,412	1,367,249
Intangible assets		1,358,911	1,326,214
Investments in associates and joint ventures		190,073	195,888
Current tax assets		174,657	146,978
Deferred tax assets		460,128	439,004
Assets held for sale		211,815	129,461
Trade and other receivables	21	1,340,979	1,797,372
Other assets	22	750,572	961,956
Total assets		**277,393,709**	**309,240,329**
Liabilities and equity			
Financial liabilities held for trading		2,625,045	2,192,553
Derivatives	14	2,037,466	1,363,503
Other financial liabilities held for trading	23	587,578	829,051
Financial liabilities at fair value through profit or loss		12,091,012	10,280,749
Deposits from customers		254,005	130,353
Debt securities issued	24	11,656,648	9,970,823
Other financial liabilities		180,360	179,573
Financial liabilities at amortised cost		235,125,299	267,068,681
Deposits from banks	25	24,771,349	35,387,105
Deposits from customers	25	190,816,425	207,375,671
Debt securities issued	25	19,019,787	23,533,907
Other financial liabilities		517,738	771,999
Lease liabilities		559,720	582,412
Hedge accounting derivatives	20	188,662	229,906
Fair value changes of hedged items in portfolio hedge of interest rate risk		57	6
Provisions	26	2,081,947	2,053,019
Current tax liabilities		58,485	87,315
Deferred tax liabilities		20,044	25,773
Liabilities associated with assets held for sale		1,403	901
Other liabilities	27	2,231,756	2,765,304
Total equity		**22,410,280**	**23,953,709**
Equity attributable to non-controlling interests		5,073,100	5,452,997
Additional equity instruments		2,732,965	2,731,856
Equity attributable to owners of the parent		14,604,214	15,768,857
Subscribed capital		859,600	859,600
Additional paid-in capital		1,477,719	1,477,719
Retained earnings and other reserves		12,266,895	13,431,538
Total liabilities and equity		**277,393,709**	**309,240,329**

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remeasure-ment of defined benefit plans	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2021	**860**	**1,478**	**13,773**	**36**	**239**	**-290**	**-941**	**-549**	**14,604**	**2,733**	**5,073**	**22,410**
Changes in treasury shares	0	0	-5	0	0	0	0	0	-5	0	0	-5
Dividends paid	0	0	-275	0	0	0	0	0	-275	0	-29	-304
capital increase/decrease	0	0	0	0	0	0	0	0	0	-1	1	-1
Changes in scope of consolidation and ownership interest	0	0	-5	0	0	0	0	0	-5	0	-11	-15
Reclassification from other comprehensive income to retained earnings	0	0	7	0	-10	4	0	0	0	0	0	0
Other changes	0	0	-18	0	0	0	0	0	-18	0	16	-2
Total comprehensive income	0	0	1,451	-141	-65	38	157	27	1,467	0	403	1,870
Net result for the period	0	0	1,451	0	0	0	0	0	1,451	0	397	1,849
Other comprehensive income	0	0	0	-141	-65	38	157	27	16	0	6	22
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	27	27	0	19	45
Change in fair value reserve	0	0	0	0	-65	0	0	0	-65	0	-15	-80
Change in cash flow hedge reserve	0	0	0	-141	0	0	0	0	-141	0	0	-141
Change in currency reserve	0	0	0	0	0	0	157	0	157	0	4	161
Change in own credit risk reserve	0	0	0	0	0	38	0	0	38	0	-2	37
As of 30 September 2021	**860**	**1,478**	**14,928**	**-105**	**164**	**-248**	**-784**	**-523**	**15,769**	**2,732**	**5,453**	**23,954**
Restated as of 1 January 2020	**860**	**1,478**	**13,095**	**-45**	**260**	**-399**	**-610**	**-509**	**14,129**	**1,490**	**4,857**	**20,477**
Changes in treasury shares	0	0	-48	0	0	0	0	0	-48	0	0	-48
Dividends paid	0	0	-51	0	0	0	0	0	-51	0	-4	-56
capital increase/decrease	0	0	0	0	0	0	0	0	0	497	6	503
Changes in scope of consolidation and ownership interest	0	0	-2	0	0	0	0	0	-2	0	-1	-3
Reclassification from other comprehensive income to retained earnings	0	0	62	0	-60	-2	0	0	0	0	0	0
Total comprehensive income	0	0	637	129	18	154	-541	2	399	0	165	564
Net result for the period	0	0	637	0	0	0	0	0	637	0	177	814
Other comprehensive income	0	0	0	129	18	154	-541	2	-238	0	-12	-250
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	2	2	0	-2	0
Change in fair value reserve	0	0	0	0	18	0	0	0	18	0	-10	8
Change in cash flow hedge reserve	0	0	0	129	0	0	0	0	129	0	0	129
Change in currency reserve	0	0	0	0	0	0	-541	0	-541	0	-7	-548
Change in own credit risk reserve	0	0	0	0	0	154	0	0	154	0	8	162
As of 30 September 2020	**860**	**1,478**	**13,693**	**84**	**218**	**-247**	**-1,151**	**-508**	**14,427**	**1,987**	**5,024**	**21,438**

Consolidated statement of cash flows

in EUR million	1-9 20	1-9 21
Net result for the period	**814**	**1,849**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation and net impairment of non-financial assets	433	433
Net allocation to credit loss allowances and other provisions	973	89
Gains/losses from measurement and derecognition of financial assets and financial liabilities	-434	3
Other adjustments	-370	127
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets held for trading	-995	107
Non-trading financial assets at fair value through profit and loss		
Equity instruments	-5	31
Debt securities	231	94
Loans and advances to banks	0	-21
Loans and advances to customers	-172	-134
Financial assets at fair value through other comprehensive income: debt securities	407	-636
Financial assets at amortised cost		
Debt securities	-1,886	-4,068
Loans and advances to banks	-2,629	-6,271
Loans and advances to customers	-5,016	-9,253
Finance lease receivables	-116	-93
Hedge accounting derivatives	5	-30
Other assets from operating activities	56	-544
Financial liabilities held for trading	738	-579
Financial liabilities at fair value through profit or loss	-932	-1,625
Financial liabilities at amortised cost		
Deposits from banks	13,293	10,616
Deposits from customers	11,485	16,559
Debt securities issued	437	4,514
Other financial liabilities	167	254
Hedge accounting derivatives	-60	41
Other liabilities from operating activities	603	456
Cash flow from operating activities	**17,026**	**11,919**
Proceeds of disposal		
Financial assets at fair value through other comprehensive income: equity instruments	52	2
Investments in associates and joint ventures	0	7
Property and equipment and intangible assets	54	52
Investment properties	6	17
Acquisition of		
Financial assets at fair value through other comprehensive income: equity instruments	0	0
Investments in associates and joint ventures	0	0
Property and equipment and intangible assets	-232	-398
Investment properties	-17	-32
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	0	0
Disposal of subsidiaries	0	0
Cash flow from investing activities	**-136**	**-352**
Capital increases	503	-1
Capital decrease	0	0
Acquisition of non-controlling interest	-3	-15
Dividends paid to equity holders of the parent	-51	-275
Dividends paid to non-controlling interests	-4	-29
Cash flow from financing activities	**445**	**-320**
Cash and cash equivalents at the beginning of the period	**10,693**	**35,839**
Cash flow from operating activities	17,026	11,919
Cash flow from investing activities	-136	-352
Cash flow from financing activities	445	-320
Effect of currency translation	-180	40
Cash and cash equivalents at the end of period	**27,848**	**47,125**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)	**3,175**	**3,169**
Payments for taxes on income	-400	-279
Interest received	5,465	5,139
Dividends received	16	28
Interest paid	-1,906	-1,718

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

Condensed notes to the interim consolidated financial statements 1 January to 30 September 2021

BASIS OF PREPARATION

The condensed consolidated interim financial statements (”interim financial statements”) of the group of Erste Group Bank AG (“Erste Group”) for the period from 1 January to 30 September 2021 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and are presented in accordance with the requirements of IAS 34 “Interim Financial Reporting”.

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

BASIS OF CONSOLIDATION

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

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

As of 31 December 2020	**353**
Additions	
Entities newly added to the scope of consolidation	0
Disposals	
Companies sold or liquidated	-7
Mergers	-4
As of 30 September 2021	**342**

COVID-19 DISCLOSURES

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

- The chapter “Accounting treatment of issues related to Covid-19” discusses the accounting and measurement methods used for public moratoria and payment holidays, public guarantees and non-financial assets impairment testing.
- Note 29 Risk Management contains a separate sub-chapter “Covid-19” which explains the considerations of the pandemic on the ECL measurement, sensitivity analyses and information on credit exposures subject to certain Covid-19 measures.
- Note 34 Own funds and capital requirements discusses the adjustments to the regulatory framework due to the current Covid-19 crisis.

ACCOUNTING AND MEASUREMENT METHODS

The interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” and are presented in euro, which is the functional currency of the parent company. The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the interim financial statements should be read in conjunction with Erste Group’s consolidated financial statements as of 31 December 2020.

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the group’s last annual financial statements for the year ended 31 December 2020, with the exception of the calculation of the current income taxes for the interim reporting period for which the estimated effective tax rate for the group is applied. Regarding the Covid-19 pandemic uncertainties, Erste Group follows the developments closely, updates the estimates and recognises the effects in the financial statements on an ongoing basis.

ACCOUNTING TREATMENT OF ISSUES RELATED TO COVID-19

Accounting and measurement methods

Public moratoria and payment holidays

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

The public moratoria in general relate to customers which were performing and to their exposures existing before the outbreak of Covid-19 pandemic. In most cases interest continues to accrue on the outstanding balance during the moratorium period. Nevertheless, in many cases an economic loss is incurred and modification losses are recognised from accounting perspective. This results from the fact that the interest accrued, instead of being repaid or capitalised at the end of the moratorium, is repaid over the period after the moratorium. Regarding accounting policies for recognition of modification gain or loss, derecognition and the assessment of significant increases in credit risk in relation to public moratoria and payment holidays please refer to the group's last annual financial statements for the year ended 31 December 2020.

Out of the total modification losses of EUR 27.2 million (EUR 54.8 million) booked in the first three quarters of 2021, an amount of EUR 14.8 million (EUR 37.2 million) was presented in the statement of income in line item "Net interest income", while the remaining EUR 12.6 million (EUR 17.6 million) was presented in line item "Impairment result from financial instruments".

Public guarantees

Regarding accounting policy for recognition of Covid-19 related public guarantees on Erste Group's exposures please refer to the group's last annual financial statements for the year ended 31 December 2020.

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 which would lead to impairment testing have been identified. As a result, no Covid-19 related impairments on non-financial assets were recognised in the first three quarters of 2021.

1. Net interest income

in EUR million	1-9 20	1-9 21
Financial assets at AC	3,740.5	3,581.6
Financial assets at FVOCI	142.4	127.3
Interest income	3,882.9	3,708.9
Non-trading financial assets at FVPL	47.4	42.8
Financial assets HfT	924.3	740.3
Derivatives - hedge accounting, interest rate risk	-30.9	-7.7
Other assets	90.1	87.6
Negative interest from financial liabilities	72.9	250.8
Other similar income	1,103.9	1,113.8
Interest and other similar income	**4,986.8**	**4,822.7**
Financial liabilities at AC	-501.0	-337.5
Interest expenses	-501.0	-337.5
Financial liabilities at FVPL	-264.0	-208.3
Financial liabilities HfT	-664.3	-541.9
Derivatives - hedge accounting, interest rate risk	101.0	89.9
Other liabilities	-22.6	-15.1
Negative Interest from financial assets	-46.6	-140.5
Other similar expenses	-896.6	-815.8
Interest and other similar expenses	**-1,397.5**	**-1,153.3**
Net interest income	**3,589.3**	**3,669.5**

In the reporting period an amount of EUR 58.7 million (EUR 58.1 million) relating to impaired financial assets is included in various line items of net interest income. In addition, the line item “Financial assets at AC” includes modification gains or losses of financial instruments which are allocated to the Stage 1 of EUR -4.0 million (EUR -27.5 million).

The negative interest from financial liabilities also includes a catch-up adjustment on TLTRO III in the amount of EUR 92.4 million (EUR 8.0 million). The interest rate reduction by 50 basis points in the additional special lending period between June 2021 and June 2022 is conditional upon reaching the lending threshold of 0% between 1 October 2020 and 31 December 2021. In June 2021 Erste Group revised the expectations and considered that the eligibility criteria will be fulfilled which resulted in the recognition of the positive catch up.

2. Net fee and commission income

in EUR million	1-9 20 Income	1-9 20 Expenses	1-9 21 Income	1-9 21 Expenses
Securities	178.5	-28.9	224.4	-39.1
Issues	25.5	-0.7	31.2	-0.7
Transfer orders	143.4	-27.2	174.4	-29.9
Other	9.5	-0.9	18.8	-8.4
Clearing and settlement	1.0	-2.4	1.1	-2.6
Asset management	291.9	-28.4	365.4	-39.0
Custody	75.1	-15.5	88.1	-10.4
Fiduciary transactions	0.8	0.0	1.0	0.0
Payment services	810.7	-141.5	892.9	-156.2
Card business	250.1	-112.6	256.6	-102.6
Other	560.6	-28.9	636.2	-53.6
Customer resources distributed but not managed	161.3	-6.8	185.5	-4.9
Collective investment	9.4	-1.7	14.3	-0.8
Insurance products	132.4	-1.7	148.2	-0.6
Building society brokerage	0.4	-0.7	1.4	-0.6
Foreign exchange transactions	18.1	-1.0	20.4	-1.6
Other	1.0	-1.7	1.2	-1.3
Structured finance	0.2	-0.1	0.7	-0.3
Servicing fees from securitization activities	0.0	-1.5	0.0	-1.6
Lending business	140.7	-29.4	151.5	-31.8
Guarantees given, guarantees received	55.9	-2.5	57.7	-1.8
Loan commitments given, loan commitments received	18.5	-0.6	29.6	-0.8
Other lending business	66.2	-26.4	64.2	-29.2
Other	73.1	-30.5	82.7	-17.0
Total fee and commission income and expenses	**1,733.3**	**-285.0**	**1,993.3**	**-302.9**
Net fee and commission income	**1,448.3**		**1,690.4**	

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

3. Dividend income

in EUR million	1-9 20	1-9 21
Financial assets HfT	0.8	1.2
Non-trading financial assets at FVPL	6.7	18.6
Financial assets at FVOCI	8.2	8.3
Dividend income	**15.7**	**28.1**

4. Net trading result

in EUR million	1-9 20	1-9 21
Securities and derivatives trading	-116.7	-107.4
Foreign exchange transactions	122.3	184.4
Result from hedge accounting	3.4	-9.5
Net trading result	**9.0**	**67.5**

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

in EUR million	1-9 20	1-9 21
Result from measurement/sale of financial assets designated at FVPL	12.3	-6.6
Result from measurement/repurchase of financial liabilities designated at FVPL	73.9	146.8
Result from financial assets and liabilities designated at FVPL	**86.2**	**140.2**
Result from measurement/sale of financial assets mandatorily at FVPL	-4.9	-6.7
Gains/losses from financial instruments measured at fair value through profit or loss	**81.4**	**133.5**

6. Rental income from investment properties & other operating leases

in EUR million	1-9 20	1-9 21
Investment properties	72.8	77.5
Other operating leases	59.5	58.6
Rental income from investment properties & other operating leases	**132.3**	**136.1**

7. General administrative expenses

in EUR million	1-9 20	1-9 21
Personnel expenses	**-1,902.2**	**-1,881.3**
Wages and salaries	-1,448.3	-1,442.1
Compulsory social security	-356.6	-360.4
Long-term employee provisions	-22.8	-16.7
Other personnel expenses	-74.5	-62.0
Other administrative expenses	**-819.0**	**-846.6**
Deposit insurance contribution	-100.3	-113.1
IT expenses	-303.4	-317.4
Expenses for office space	-115.3	-113.4
Office operating expenses	-87.1	-88.9
Advertising/marketing	-98.7	-102.6
Legal and consulting costs	-72.5	-74.9
Sundry administrative expenses	-41.8	-36.3
Depreciation and amortisation	**-402.0**	**-413.2**
Software and other intangible assets	-132.7	-147.5
Owner occupied real estate	-117.0	-112.2
Investment properties	-21.5	-22.2
Customer relationships	-5.8	-5.7
Office furniture and equipment and sundry property and equipment	-124.9	-125.6
General administrative expenses	**-3,123.2**	**-3,141.0**

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

in EUR million	1-9 20	1-9 21
Gains from sale of financial assets at AC	1.0	9.5
Losses from sale of financial assets at AC	-0.8	-7.7
Gains/losses from derecognition of financial assets measured at amortised cost	**0.2**	**1.8**

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

in EUR million	1-9 20	1-9 21
Sale of financial assets at FVOCI	0.7	1.0
Sale of financial lease receivables	0.0	0.0
Derecognition of financial liabilities at AC	-1.4	-19.8
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**-0.7**	**-18.8**

10. Impairment result from financial instruments

in EUR million	1-9 20	1-9 21
Financial assets at FVOCI	-5.5	-0.6
Financial assets at AC	-760.9	5.0
Net allocation to credit loss allowances	-842.7	-37.3
Direct write-offs	-17.7	-7.8
Recoveries recorded directly to the income statement	110.4	57.5
Modification gains or losses	-10.9	-7.4
Lease receivables	-27.9	-10.1
Net allocation of provisions for commitments and guarantees given	-75.8	-45.9
Impairment result from financial instruments	**-870.1**	**-51.6**

11. Other operating result

in EUR million	1-9 20	1-9 21
Other operating expenses	**-299.7**	**-320.4**
Allocation to other provisions	-98.2	-132.8
Levies on banking activities	-100.3	-71.6
Banking tax	-67.1	-35.8
Financial transaction tax	-33.2	-35.7
Other taxes	-7.5	-7.6
Recovery and resolution fund contributions	-93.7	-108.5
Other operating income	**96.4**	**141.2**
Release of other provisions	96.4	141.2
Result from properties/movables/other intangible assets other than goodwill	1.6	0.4
Result from other operating expenses/income	-11.8	-64.5
Other operating result	**-213.6**	**-243.3**

12. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 433.6 million (EUR 264.2 million), thereof EUR 71.4 million deferred tax expense (EUR 2.4 million deferred tax income).

13. Cash and cash balances

in EUR million	Dec 20	Sep 21
Cash on hand	7,694	9,443
Cash balances at central banks	27,006	36,674
Other demand deposits at credit institutions	1,139	1,008
Cash and cash balances	**35,839**	**47,125**

14. Derivatives held for trading

	Dec 20			Sep 21		
in EUR million	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**206,411**	**3,524**	**3,606**	**204,286**	**2,986**	**2,918**
Interest rate	139,393	2,742	2,829	134,766	2,323	2,350
Equity	435	4	3	485	8	5
Foreign exchange	65,541	740	748	68,242	624	539
Credit	820	15	25	571	13	24
Commodity	16	0	0	20	0	0
Other	205	23	0	203	18	0
Derivatives held in the banking book	**27,229**	**1,330**	**409**	**19,997**	**989**	**250**
Interest rate	16,836	1,233	246	15,082	887	199
Equity	5,202	41	64	1,238	57	23
Foreign exchange	4,742	52	98	3,298	43	27
Credit	305	4	1	239	3	1
Commodity	0	0	0	0	0	0
Other	144	0	0	141	0	0
Total gross amounts	**233,640**	**4,854**	**4,015**	**224,284**	**3,975**	**3,168**
Offset		-1,900	-1,977		-1,706	-1,804
Total		**2,954**	**2,037**		**2,269**	**1,364**

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

15. Other financial assets held for trading

in EUR million	Dec 20	Sep 21
Equity instruments	34	76
Debt securities	3,368	3,899
General governments	2,628	2,846
Credit institutions	606	778
Other financial corporations	57	185
Non-financial corporations	76	90
Other financial assets held for trading	**3,402**	**3,975**

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

	Dec 20		Sep 21	
in EUR million	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	347	0	316
Debt securities	603	1,446	538	1,415
General governments	63	214	36	174
Credit institutions	524	101	498	101
Other financial corporations	16	983	5	1,012
Non-financial corporations	0	148	0	128
Loans and advances to banks	0	0	0	21
Credit institutions	0	0	0	21
Loans and advances to customers	0	687	0	815
General governments	0	1	0	1
Non-financial corporations	0	107	0	66
Households	0	579	0	748
Financial assets designated and mandatorily at FVPL	603	2,480	538	2,567
Non-trading financial assets at fair value through profit and loss		**3,083**		**3,105**

17. Financial assets at fair value through other comprehensive income

Equity Instruments

The carrying amount of Erste Group's equity instruments FVOCI as of 30 September 2021 amounted to EUR 114.1 million (EUR 136.1 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 70.2 million (EUR 89.0 million).

Debt Instruments

Debt securities

	Gross carrying amount				Credit loss allowances						
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Amortised cost	Accumulated OCI changes	Fair value
Sep 21											
Central banks	5	0	0	5	0	0	0	0	5	0	5
General governments	6,445	187	0	6,632	-4	-6	0	-10	6,622	130	6,752
Credit institutions	962	0	0	962	-3	0	0	-3	959	24	984
Other financial corporations	145	92	0	237	0	-3	0	-3	234	9	243
Non-financial corporations	498	452	0	950	-1	-10	0	-11	940	37	977
Total	**8,056**	**730**	**0**	**8,785**	**-7**	**-18**	**0**	**-26**	**8,760**	**201**	**8,960**
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. As of 30 September 2021, there were no purchased or originated credit-impaired (POCI) debt securities at FVOCI.

Development of credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 21						**Sep 21**
Stage 1	-9	-2	2	3	0	0	-7
Stage 2	-16	0	0	-6	3	0	-18
Stage 3	0	0	0	0	0	0	0
Total	**-25**	**-2**	**2**	**-3**	**3**	**0**	**-26**
	Jan 20						**Sep 20**
Stage 1	-6	-2	1	0	-2	0	-9
Stage 2	-8	0	0	-3	0	0	-10
Stage 3	0	0	0	0	0	0	0
Total	**-14**	**-2**	**1**	**-2**	**-3**	**0**	**-19**

18. Financial assets at amortised cost

Debt securities

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	
Sep 21									
Central banks	24	0	0	24	0	0	0	0	23
General governments	28,404	13	0	28,417	-7	0	0	-7	28,410
Credit institutions	4,279	0	0	4,279	-2	0	0	-2	4,276
Other financial corporations	150	0	0	151	0	0	0	0	151
Non-financial corporations	745	51	0	796	-1	-3	0	-5	791
Total	**33,602**	**64**	**0**	**33,666**	**-12**	**-4**	**0**	**-15**	**33,651**
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 were no purchased or originated credit-impaired (POCI) debt securities at amortised cost as of 30 September 2021.

Development of credit loss allowances for debt securities

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 21						**Sep 21**
Stage 1	-11	-4	3	2	-2	0	-12
Stage 2	-3	0	0	-2	2	0	-4
Stage 3	-2	0	1	0	0	0	0
Total	**-15**	**-4**	**4**	**0**	**0**	**0**	**-15**
	Jan 20						**Sep 20**
Stage 1	-7	-2	2	0	-3	0	-9
Stage 2	-2	0	0	-1	1	0	-2
Stage 3	-2	0	0	0	0	0	-2
Total	**-11**	**-2**	**2**	**0**	**-2**	**0**	**-13**

Loans and advances to banks

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Sep 21									
Central banks	23,264	0	0	23,264	-1	0	0	-1	23,263
Credit institutions	4,344	126	0	4,470	-3	-1	0	-4	4,465
Total	**27,608**	**126**	**0**	**27,734**	**-4**	**-1**	**0**	**-6**	**27,728**
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 were no purchased or originated credit-impaired (POCI) AC loans and advances to banks as of 30 September 2021.

Development of credit loss allowances for loans and advances to banks

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 21						**Sep 21**
Stage 1	-3	-15	13	0	0	0	-4
Stage 2	0	0	3	-2	-2	0	-1
Stage 3	0	0	0	0	0	0	0
Total	**-3**	**-16**	**16**	**-1**	**-2**	**0**	**-6**
	Jan 20						**Sep 20**
Stage 1	-7	-15	9	0	-1	0	-13
Stage 2	0	0	0	-1	-1	0	-1
Stage 3	-2	0	2	0	-2	0	-2
Total	**-9**	**-15**	**12**	**-1**	**-3**	**0**	**-15**

Loans and advances to customers

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	
Sep 21											
General governments	6,412	421	2	3	6,838	-7	-16	-2	-1	-25	6,813
Other financial corporations	3,585	743	49	11	4,388	-10	-22	-16	0	-48	4,340
Non-financial corporations	54,302	18,662	1,968	198	75,129	-204	-683	-1,084	-61	-2,031	73,098
Households	73,648	10,880	1,847	117	86,492	-134	-467	-1,005	-28	-1,634	84,858
Total	**137,946**	**30,706**	**3,866**	**329**	**172,847**	**-354**	**-1,187**	**-2,107**	**-89**	**-3,738**	**169,109**
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**

Development of credit loss allowances for loans and advances to customers

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 21								**Sep 21**
Stage 1	**-335**	**-219**	**56**	**341**	**-201**	**0**	**0**	**3**	**-354**
General governments	-4	-1	0	1	-3	0	0	0	-7
Other financial corporations	-8	-9	3	12	-9	0	0	0	-10
Non-financial corporations	-186	-136	36	131	-50	0	0	1	-204
Households	-136	-73	17	197	-140	0	0	1	-134
Stage 2	**-1,171**	**-91**	**123**	**-532**	**478**	**-1**	**4**	**3**	**-1,187**
General governments	-4	-1	0	-5	0	0	0	-6	-16
Other financial corporations	-38	-1	2	-17	31	0	0	1	-22
Non-financial corporations	-657	-73	75	-213	187	0	2	-4	-683
Households	-472	-18	45	-296	260	0	2	12	-467
Stage 3	**-2,201**	**-36**	**186**	**-49**	**-168**	**1**	**168**	**-8**	**-2,107**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-6	0	0	0	-11	0	1	0	-16
Non-financial corporations	-1,172	-22	87	-18	-25	3	68	-4	-1,084
Households	-1,021	-15	98	-30	-133	-1	100	-3	-1,005
POCI	**-125**	**0**	**12**	**0**	**22**	**0**	**3**	**-1**	**-89**
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	-92	0	8	0	22	0	1	0	-61
Households	-33	0	3	0	0	0	2	0	-28
Total	**-3,831**	**-346**	**377**	**-241**	**131**	**1**	**175**	**-2**	**-3,738**
	Jan 20								**Sep 20**
Stage 1	**-320**	**-160**	**45**	**255**	**-146**	**0**	**0**	**6**	**-320**
General governments	-17	-5	2	1	14	0	0	0	-5
Other financial corporations	-5	-5	2	3	-3	0	0	0	-7
Non-financial corporations	-176	-97	29	97	-42	0	0	3	-186
Households	-122	-54	11	154	-114	0	0	3	-122
Stage 2	**-506**	**-62**	**80**	**-740**	**104**	**-2**	**1**	**17**	**-1,107**
General governments	-3	0	0	-3	1	0	0	0	-5
Other financial corporations	-9	-1	1	-8	-3	0	0	0	-21
Non-financial corporations	-243	-47	52	-373	-24	0	0	7	-627
Households	-251	-15	27	-355	131	-2	1	10	-454
Stage 3	**-2,003**	**-58**	**156**	**-64**	**-243**	**2**	**158**	**33**	**-2,019**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-8	0	2	0	-2	0	3	0	-6
Non-financial corporations	-965	-27	76	-24	-122	1	73	8	-979
Households	-1,029	-30	79	-39	-119	1	82	24	-1,031
POCI	**-139**	**0**	**11**	**0**	**-1**	**0**	**3**	**3**	**-123**
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	7	0	-2	0	0	1	-89
Households	-43	0	5	0	1	0	2	2	-33
Total	**-2,969**	**-280**	**293**	**-548**	**-285**	**0**	**162**	**58**	**-3,569**

19. Finance lease receivables

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Sep 21											
General governments	285	63	13	0	361	-1	-20	-2	0	-23	339
Credit institutions	3	0	0	0	3	0	0	0	0	0	3
Other financial corporations	70	1	0	0	71	0	0	0	0	0	70
Non-financial corporations	2,437	473	144	0	3,053	-11	-24	-65	0	-100	2,953
Households	787	52	14	0	854	-3	-2	-6	0	-11	842
Total	**3,582**	**589**	**171**	**0**	**4,342**	**-15**	**-46**	**-73**	**0**	**-134**	**4,208**
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**

Development of credit loss allowances for finance lease receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 21								**Sep 21**
Stage 1	-17	-4	0	5	2	0	0	0	-15
Stage 2	-12	0	0	-10	-24	0	0	0	-46
Stage 3	-78	0	2	-2	16	0	3	-13	-73
POCI	0	0	0	0	0	0	0	0	0
Total	**-108**	**-4**	**2**	**-8**	**-7**	**0**	**3**	**-13**	**-134**
	Jan 20								**Sep 20**
Stage 1	-15	-4	0	5	-4	0	0	0	-18
Stage 2	-5	0	0	-5	0	0	0	0	-9
Stage 3	-114	0	1	-6	-18	0	3	6	-128
POCI	0	0	0	0	0	0	0	0	0
Total	**-134**	**-4**	**1**	**-5**	**-22**	**0**	**3**	**6**	**-156**

20. Hedge accounting derivatives

in EUR million	Dec 20			Sep 21		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**13,540**	**537**	**291**	**15,421**	**350**	**305**
Interest rate	13,540	537	291	15,421	350	305
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**3,300**	**86**	**15**	**3,501**	**13**	**89**
Interest rate	2,704	83	8	2,629	9	60
Equity	0	0	0	0	0	0
Foreign exchange	596	2	7	873	4	29
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**16,840**	**623**	**306**	**18,923**	**363**	**394**
Offset	0	-418	-117		-269	-164
Total		**205**	**189**		**94**	**230**

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

21. Trade and other receivables

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Sep 21											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	62	22	0	0	84	0	0	0	0	-1	83
Credit institutions	32	2	2	0	36	0	0	0	0	-1	35
Other financial corporations	26	3	0	0	28	0	0	0	0	0	28
Non-financial corporations	743	807	61	0	1,611	-5	-4	-51	0	-60	1,551
Households	87	16	20	0	123	-2	-5	-18	0	-24	99
Total	**950**	**849**	**84**	**0**	**1,883**	**-7**	**-10**	**-69**	**0**	**-86**	**1,797**
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**

Development of credit loss allowances for trade and other receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 21								**Sep 21**
Stage 1	-6	-8	5	1	2	0	0	0	-7
Stage 2	-10	0	2	-1	-1	0	0	0	-10
Stage 3	-47	0	4	0	-29	0	3	0	-69
POCI	0	0	0	0	0	0	0	0	0
Total	**-64**	**-8**	**11**	**0**	**-28**	**0**	**4**	**0**	**-86**
	Jan 20								**Sep 20**
Stage 1	-6	-2	1	2	2	0	0	0	-3
Stage 2	-10	0	1	-3	2	0	0	0	-9
Stage 3	-55	0	2	-1	-6	0	3	4	-53
POCI	-1	0	1	0	0	0	0	0	0
Total	**-72**	**-2**	**4**	**-1**	**-2**	**0**	**3**	**5**	**-65**

22. Other assets

in EUR million	Dec 20	Sep 21
Prepayments	124	131
Inventories	171	154
Sundry assets	456	677
Other assets	**751**	**962**

23. Other financial liabilities held for trading

in EUR million	Dec 20	Sep 21
Short positions	521	765
Equity instruments	135	109
Debt securities	386	655
Debt securities issued	66	64
Other financial liabilities held for trading	**588**	**829**

24. Financial liabilities at fair value through profit and loss

Debt securities issued

in EUR million	Dec 20	Sep 21
Subordinated debt securities issued	3,944	3,476
Other debt securities issued	7,713	6,495
Bonds	4,784	4,116
Other certificates of deposits/name certificates	854	851
Mortgage covered bonds	1,858	1,351
Public sector covered bonds	216	177
Debt securities issued	**11,657**	**9,971**

25. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 20	Sep 21
Overnight deposits	2,115	3,218
Term deposits	21,728	29,840
Repurchase agreements	927	2,329
Deposits from banks	**24,771**	**35,387**

Deposits from customers

in EUR million	Dec 20	Sep 21
Overnight deposits	**144,864**	**162,157**
Savings deposits	37,265	42,613
Other financial corporations	185	269
Non-financial corporations	2,457	2,268
Households	34,623	40,076
Non-savings deposits	107,599	119,544
General governments	5,806	7,629
Other financial corporations	6,936	7,098
Non-financial corporations	33,312	35,952
Households	61,544	68,865
Term deposits	**44,684**	**42,465**
Deposits with agreed maturity	38,142	35,837
Savings deposits	25,996	22,281
Other financial corporations	1,050	412
Non-financial corporations	1,331	1,289
Households	23,615	20,580
Non-savings deposits	12,146	13,557
General governments	2,832	2,728
Other financial corporations	1,890	3,486
Non-financial corporations	2,285	2,646
Households	5,140	4,696
Deposits redeemable at notice	6,543	6,628
General governments	1	2
Other financial corporations	110	147
Non-financial corporations	256	266
Households	6,175	6,212
Repurchase agreements	**1,269**	**2,754**
General governments	2	1,321
Other financial corporations	1,260	1,432
Non-financial corporations	6	0
Deposits from customers	**190,816**	**207,376**
General governments	**8,642**	**11,680**
Other financial corporations	**11,431**	**12,845**
Non-financial corporations	**39,648**	**42,422**
Households	**131,097**	**140,429**

The carrying amount of the TLTRO III liabilities as of 30 September 2021 was EUR 20.7 billion (EUR 14.1 billion). For details on the catch-up adjustment recognised in June 2021 refer to Note 1 Net interest income.

Debt securities issued

in EUR million	Dec 20	Sep 21
Subordinated debt securities issued	1,477	1,453
Senior non-preferred bonds	669	1,364
Other debt securities issued	16,874	20,717
Bonds	4,680	7,744
Certificates of deposit	520	3,192
Other certificates of deposits/name certificates	178	159
Mortgage covered bonds	10,977	9,621
Public sector covered bonds	0	0
Other	519	0
Debt securities issued	**19,020**	**23,534**

26. Provisions

in EUR million	Dec 20	Sep 21
Long-term employee provisions	1,042	952
Pending legal issues and tax litigation	359	318
Commitments and guarantees given	399	418
Provisions for commitments and financial guarantees in Stage 1	83	95
Provisions for commitments and financial guarantees in Stage 2	211	204
Provisions for commitments and financial guarantees - Defaulted	104	118
Other provisions	282	365
Provisions for onerous contracts	3	2
Other	279	363
Provisions	**2,082**	**2,053**

Effects from the change in material valuation parameters

For the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions, the interest rate used has been increased to 0.94% p.a. as of 30 September 2021 (31 December 2020: 0.50% p.a.) to reflect the actual interest rate levels. Furthermore, the collective agreement trend amounted to 2.00% p.a. (31 December 2020: 2.00% p.a.) as well as the ASVG trend at 1.75% p.a. (31 December 2020: 1.75% p.a.). According to IAS 19 the resulting measurement adjustment for pension and severance payment provisions amounting to EUR 51.6 million (before tax) has been recognised in other comprehensive income those for jubilee provisions, an amount of EUR 6.3 million has been considered in the income statement.

27. Other liabilities

in EUR million	Dec 20	Sep 21
Deferred income	117	126
Sundry liabilities	2,115	2,640
Other liabilities	**2,232**	**2,765**

28. Segment reporting

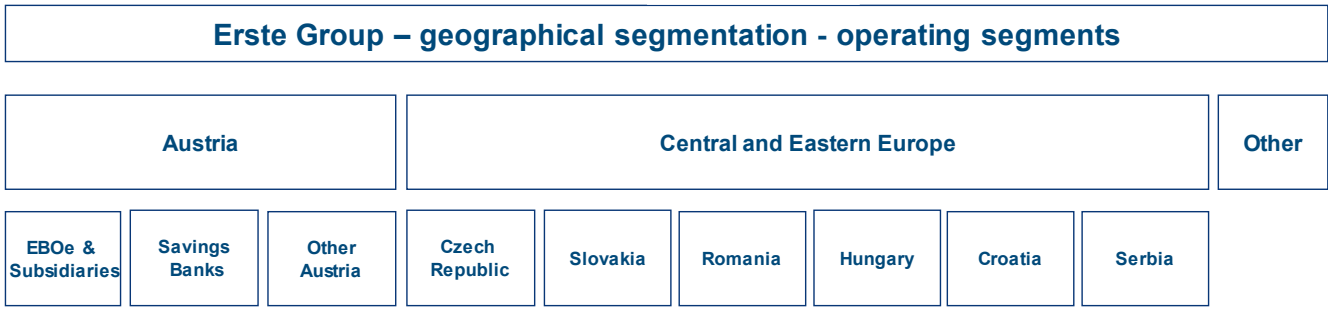
Erste Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments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

Erste Group 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 sporitel'ňa 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 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

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**
Net interest income	1,625.3	1,588.7	1,856.9	1,920.4	107.0	160.4	3,589.3	3,669.5
Net fee and commission income	862.3	982.3	654.9	766.6	-68.8	-58.4	1,448.3	1,690.4
Dividend income	8.8	9.9	1.9	7.8	5.0	10.4	15.7	28.1
Net trading result	-39.1	31.9	153.5	175.3	-105.4	-139.8	9.0	67.5
Gains/losses from financial instruments at FVPL	-11.1	53.4	16.1	-6.1	76.4	86.2	81.4	133.5
Net result from equity method investments	1.5	-1.1	4.8	7.2	3.6	3.9	9.9	10.0
Rental income from investment properties & other operating leases	106.0	111.4	37.9	36.6	-11.6	-11.9	132.3	136.1
General administrative expenses	-1,605.5	-1,589.7	-1,382.3	-1,411.0	-135.3	-140.3	-3,123.2	-3,141.0
Gains/losses from derecognition of financial assets at AC	0.3	-0.5	0.4	2.4	-0.5	0.0	0.2	1.8
Other gains/losses from derecognition of financial instruments not at FVPL	-0.4	-21.6	0.5	0.6	-0.8	2.2	-0.7	-18.8
Impairment result from financial instruments	-414.6	20.9	-461.7	-77.6	6.2	5.1	-870.1	-51.6
Other operating result	-19.4	-15.9	-152.8	-131.6	-41.4	-95.8	-213.6	-243.3
Levies on banking activities	-6.2	-7.0	-81.3	-50.6	-12.8	-13.9	-100.3	-71.6
Pre-tax result from continuing operations	**514.1**	**1,169.6**	**730.0**	**1,290.6**	**-165.6**	**-178.1**	**1,078.4**	**2,282.1**
Taxes on income	-86.3	-290.7	-147.7	-257.3	-30.2	114.4	-264.2	-433.6
Net result for the period	**427.8**	**879.0**	**582.2**	**1,033.3**	**-195.8**	**-63.8**	**814.2**	**1,848.5**
Net result attributable to non-controlling interests	152.9	349.5	18.3	45.3	5.9	2.4	177.1	397.2
Net result attributable to owners of the parent	**274.9**	**529.5**	**563.9**	**988.0**	**-201.8**	**-66.2**	**637.1**	**1,451.4**
Operating income	2,553.7	2,776.5	2,725.9	2,907.8	6.2	50.8	5,285.8	5,735.0
Operating expenses	-1,605.5	-1,589.7	-1,382.3	-1,411.0	-135.3	-140.3	-3,123.2	-3,141.0
Operating result	**948.2**	**1,186.8**	**1,343.6**	**1,496.8**	**-129.1**	**-89.5**	**2,162.7**	**2,594.0**
Risk-weighted assets (credit risk, eop)	50,801	59,075	41,347	45,601	2,378	2,878	94,527	107,554
Average allocated capital	6,822	8,070	7,134	8,504	7,270	6,607	21,226	23,181
Cost/income ratio	62.9%	57.3%	50.7%	48.5%	>100%	>100%	59.1%	54.8%
Return on allocated capital	8.4%	14.6%	10.9%	16.2%	-3.6%	-1.3%	5.1%	10.7%
Total assets (eop)	177,802	200,599	119,374	136,328	-25,192	-27,687	271,983	309,240
Total liabilities excluding equity (eop)	142,948	161,042	107,470	123,320	127	925	250,545	285,287
Impairments	**-414.6**	**19.8**	**-476.0**	**-95.0**	**-13.4**	**4.5**	**-904.0**	**-70.7**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-375.7	18.7	-423.4	-42.7	4.8	18.2	-794.3	-5.8
Net impairment loss on commitments and guarantees given	-38.9	2.1	-38.4	-34.9	1.4	-13.1	-75.8	-45.9
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	-2.1	0.0	-2.1	0.0
Net impairment on other non-financial assets	0.0	-1.1	-14.3	-17.4	-17.5	-0.6	-31.8	-19.1

Operating segments: Geographical area – Austria

	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
in EUR million	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**
Net interest income	482.4	482.3	801.6	808.2	341.3	298.2	1,625.3	1,588.7
Net fee and commission income	300.4	334.6	381.2	425.5	180.6	222.2	862.3	982.3
Dividend income	6.1	6.0	2.5	2.9	0.2	1.0	8.8	9.9
Net trading result	6.9	-13.0	4.9	-5.5	-50.9	50.4	-39.1	31.9
Gains/losses from financial instruments at FVPL	3.2	25.3	-16.6	36.7	2.3	-8.6	-11.1	53.4
Net result from equity method investments	1.3	-0.7	0.0	0.0	0.2	-0.5	1.5	-1.1
Rental income from investment properties & other operating leases	43.2	47.1	28.6	31.5	34.3	32.8	106.0	111.4
General administrative expenses	-519.2	-518.5	-818.3	-814.8	-268.0	-256.4	-1,605.5	-1,589.7
Gains/losses from derecognition of financial assets at AC	0.1	-1.7	0.1	1.2	0.1	0.0	0.3	-0.5
Other gains/losses from derecognition of financial instruments not at FVPL	-0.1	-0.5	-1.5	-0.8	1.2	-20.4	-0.4	-21.6
Impairment result from financial instruments	-96.7	-17.2	-165.5	52.1	-152.4	-13.9	-414.6	20.9
Other operating result	-13.8	-22.4	-7.8	-11.2	2.2	17.6	-19.4	-15.9
Levies on banking activities	-2.7	-3.2	-3.4	-3.8	-0.1	-0.1	-6.2	-7.0
Pre-tax result from continuing operations	**213.9**	**321.2**	**209.3**	**525.9**	**90.9**	**322.6**	**514.1**	**1,169.6**
Taxes on income	-8.5	-79.7	-59.4	-126.2	-18.4	-84.8	-86.3	-290.7
Net result for the period	**205.4**	**241.5**	**149.8**	**399.7**	**72.6**	**237.8**	**427.8**	**879.0**
Net result attributable to non-controlling interests	31.8	15.2	116.4	331.0	4.7	3.2	152.9	349.5
Net result attributable to owners of the parent	**173.6**	**226.3**	**33.5**	**68.6**	**67.9**	**234.6**	**274.9**	**529.5**
Operating income	843.5	881.6	1,202.3	1,299.3	507.9	595.6	2,553.7	2,776.5
Operating expenses	-519.2	-518.5	-818.3	-814.8	-268.0	-256.4	-1,605.5	-1,589.7
Operating result	**324.3**	**363.0**	**384.0**	**484.6**	**239.8**	**339.2**	**948.2**	**1,186.8**
Risk-weighted assets (credit risk, eop)	12,342	15,122	23,220	27,518	15,239	16,434	50,801	59,075
Average allocated capital	1,687	1,917	3,088	3,725	2,047	2,428	6,822	8,070
Cost/income ratio	61.5%	58.8%	68.1%	62.7%	52.8%	43.0%	62.9%	57.3%
Return on allocated capital	16.3%	16.8%	6.5%	14.3%	4.7%	13.1%	8.4%	14.6%
Total assets (eop)	51,601	58,660	71,302	76,324	54,899	65,616	177,802	200,599
Total liabilities excluding equity (eop)	49,412	56,329	66,115	70,701	27,422	34,011	142,948	161,042
Impairments	**-96.7**	**-17.2**	**-165.5**	**52.1**	**-152.4**	**-15.0**	**-414.6**	**19.8**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-87.7	-18.2	-160.0	50.9	-128.0	-14.0	-375.7	18.7
Net impairment loss on commitments and guarantees given	-9.0	1.0	-5.5	1.1	-24.4	0.0	-38.9	2.1
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	0.0	0.0	0.0	0.0	-1.1	0.0	-1.1

Operating segments: Geographical area – Central and Eastern Europe

	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**
Net interest income	788.4	821.3	328.6	327.6	328.3	321.7	160.9	192.8	202.7	203.0	48.0	54.1	1,856.9	1,920.4
Net fee and commission income	229.8	267.8	106.4	128.1	103.9	126.2	131.5	152.3	71.6	78.0	11.6	14.3	654.9	766.6
Dividend income	0.5	6.5	0.6	0.6	0.7	0.7	0.0	0.0	0.1	0.1	0.0	0.0	1.9	7.8
Net trading result	53.1	63.1	5.9	6.7	50.9	53.9	22.5	25.5	18.3	22.0	2.8	4.2	153.5	175.3
Gains/losses from financial instruments at FVPL	23.1	-5.4	2.7	-0.2	2.3	0.6	-9.2	-0.6	-2.9	-0.4	0.0	0.0	16.1	-6.1
Net result from equity method investments	1.1	0.8	3.4	4.6	-0.5	0.7	0.0	0.0	0.8	0.9	0.0	0.1	4.8	7.2
Rental income from investment properties & other operating leases	6.2	6.2	0.2	0.2	16.7	17.3	5.8	6.2	8.9	6.7	0.0	0.0	37.9	36.6
General administrative expenses	-549.7	-575.6	-214.0	-216.7	-251.7	-244.3	-159.8	-170.3	-165.4	-159.9	-41.9	-44.1	-1,382.3	-1,411.0
Gains/losses from derecognition of financial assets at AC	0.0	0.2	0.0	0.0	0.0	0.0	0.5	2.3	0.0	0.0	-0.1	-0.1	0.4	2.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.0	-0.3	0.0	0.0	0.5	0.9	0.0	0.0	0.0	0.0	0.5	0.6
Impairment result from financial instruments	-177.2	-51.6	-86.6	1.6	-57.5	-14.3	-59.2	-5.9	-74.6	-0.5	-6.7	-6.8	-461.7	-77.6
Other operating result	-35.3	-38.1	-40.4	-9.6	-11.2	-26.9	-52.8	-63.1	-12.5	10.2	-0.5	-4.1	-152.8	-131.6
Levies on banking activities	0.0	0.0	-33.8	0.0	0.0	0.0	-47.5	-50.6	0.0	0.0	0.0	0.0	-81.3	-50.6
Pre-tax result from continuing operations	**340.2**	**495.1**	**106.8**	**242.5**	**181.9**	**235.6**	**40.8**	**140.0**	**46.9**	**160.0**	**13.4**	**17.5**	**730.0**	**1,290.6**
Taxes on income	-70.1	-110.7	-25.0	-57.7	-40.5	-40.3	-13.4	-19.9	2.0	-28.0	-0.8	-0.7	-147.7	-257.3
Net result for the period	**270.1**	**384.4**	**81.8**	**184.7**	**141.5**	**195.3**	**27.3**	**120.0**	**49.0**	**132.0**	**12.6**	**16.8**	**582.2**	**1,033.3**
Net result attributable to non-controlling interests	0.1	0.0	0.0	0.0	0.2	0.2	0.0	0.0	15.5	41.5	2.5	3.5	18.3	45.3
Net result attributable to owners of the parent	**270.0**	**384.3**	**81.8**	**184.7**	**141.3**	**195.1**	**27.3**	**120.0**	**33.5**	**90.5**	**10.1**	**13.4**	**563.9**	**988.0**
Operating income	1,102.3	1,160.2	447.8	467.5	502.2	521.1	311.6	376.2	299.4	310.2	62.5	72.7	2,725.9	2,907.8
Operating expenses	-549.7	-575.6	-214.0	-216.7	-251.7	-244.3	-159.8	-170.3	-165.4	-159.9	-41.9	-44.1	-1,382.3	-1,411.0
Operating result	**552.7**	**584.5**	**233.8**	**250.8**	**250.6**	**276.7**	**151.8**	**205.9**	**134.1**	**150.3**	**20.6**	**28.6**	**1,343.6**	**1,496.8**
Risk-weighted assets (credit risk, eop)	17,101	18,800	7,215	7,632	6,090	7,197	3,877	4,438	5,574	5,966	1,490	1,568	41,347	45,601
Average allocated capital	2,586	3,001	1,107	1,250	1,385	1,723	956	1,186	882	1,082	217	262	7,134	8,504
Cost/income ratio	49.9%	49.6%	47.8%	46.4%	50.1%	46.9%	51.3%	45.3%	55.2%	51.6%	67.0%	60.7%	50.7%	48.5%
Return on allocated capital	13.9%	17.1%	9.9%	19.8%	13.6%	15.2%	3.8%	13.5%	7.4%	16.3%	7.7%	8.6%	10.9%	16.2%
Total assets (eop)	60,332	70,034	20,243	22,936	15,991	16,981	9,542	11,461	10,753	12,182	2,512	2,736	119,374	136,328
Total liabilities excluding equity (eop)	54,856	64,140	18,481	21,014	14,073	14,889	8,417	10,170	9,422	10,696	2,221	2,412	107,470	123,320
Impairments	**-178.6**	**-53.7**	**-85.4**	**1.7**	**-69.4**	**-28.8**	**-60.1**	**-5.8**	**-75.8**	**-1.5**	**-6.7**	**-6.9**	**-476.0**	**-95.0**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-167.9	-46.9	-81.5	16.3	-45.4	-7.7	-55.1	-6.1	-66.9	8.2	-6.5	-6.5	-423.4	-42.7
Net impairment loss on commitments and guarantees given	-9.3	-4.7	-5.0	-14.7	-12.1	-6.6	-4.1	0.1	-7.7	-8.7	-0.1	-0.3	-38.4	-34.9
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-1.5	-2.1	1.2	0.1	-11.9	-14.5	-0.9	0.1	-1.1	-1.0	0.0	0.0	-14.3	-17.4

Business segments (1)

	Retail		Corporates		Group Markets		ALM&LCC	
in EUR million	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**	**1-9 20**	**1-9 21**
Net interest income	1,579.7	1,552.5	826.4	868.9	192.7	139.0	54.7	181.8
Net fee and commission income	768.9	892.2	207.1	238.1	172.3	215.4	-58.4	-65.0
Dividend income	0.0	0.4	0.7	0.5	-0.6	0.5	8.0	13.5
Net trading result	73.4	88.4	42.0	74.9	-6.1	89.3	-87.8	-131.4
Gains/losses from financial instruments at FVPL	-12.5	-3.6	-12.1	-2.3	11.4	-5.0	106.4	118.8
Net result from equity method investments	4.2	5.5	0.0	0.0	0.0	0.0	2.1	0.5
Rental income from investment properties & other operating leases	18.0	17.8	81.3	82.1	0.0	0.3	18.5	18.5
General administrative expenses	-1,543.2	-1,550.1	-398.1	-397.0	-170.8	-174.1	-73.8	-80.1
Gains/losses from derecognition of financial assets at AC	0.1	-2.1	0.1	0.1	0.0	-0.1	-0.4	2.8
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.5	0.6	1.2	-0.1	-0.1	-19.2
Impairment result from financial instruments	-305.9	-53.8	-384.3	-59.4	-10.2	-5.8	-12.0	9.9
Other operating result	-63.2	-49.4	-39.8	-14.1	-20.4	-23.7	-68.0	-63.6
Levies on banking activities	-52.5	-30.8	-17.7	-16.7	-3.3	-3.6	-10.6	-2.8
Pre-tax result from continuing operations	**519.4**	**897.7**	**323.8**	**792.4**	**169.5**	**235.7**	**-110.9**	**-13.7**
Taxes on income	-84.5	-165.2	-60.9	-159.0	-34.3	-50.1	34.1	-42.6
Net result for the period	**434.9**	**732.5**	**262.8**	**633.4**	**135.3**	**185.6**	**-76.8**	**-56.2**
Net result attributable to non-controlling interests	9.8	26.9	44.3	37.7	2.9	3.7	-2.1	-4.6
Net result attributable to owners of the parent	**425.1**	**705.7**	**218.5**	**595.7**	**132.4**	**181.9**	**-74.7**	**-51.6**
Operating income	2,431.6	2,553.2	1,145.5	1,262.2	369.8	439.4	43.5	136.6
Operating expenses	-1,543.2	-1,550.1	-398.1	-397.0	-170.8	-174.1	-73.8	-80.1
Operating result	**888.4**	**1,003.1**	**747.3**	**865.2**	**198.9**	**265.4**	**-30.3**	**56.5**
Risk-weighted assets (credit risk, eop)	17,605	21,073	42,170	46,708	3,331	3,426	6,650	6,157
Average allocated capital	3,242	3,627	4,771	5,294	869	1,082	3,096	4,311
Cost/income ratio	63.5%	60.7%	34.8%	31.5%	46.2%	39.6%	>100%	58.6%
Return on allocated capital	17.9%	27.0%	7.4%	16.0%	20.8%	22.9%	-3.3%	-1.7%
Total assets (eop)	64,146	69,619	59,689	62,894	41,475	52,654	72,026	87,398
Total liabilities excluding equity (eop)	95,087	108,372	33,509	36,411	39,495	49,233	54,115	61,131
Impairments	**-306.4**	**-54.2**	**-415.0**	**-74.9**	**-10.2**	**-5.8**	**-12.6**	**7.3**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-301.3	-60.8	-314.4	-22.9	-11.1	-0.4	-13.7	8.8
Net impairment loss on commitments and guarantees given	-4.6	6.9	-69.9	-36.5	0.9	-5.4	1.7	1.1
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-0.5	-0.4	-30.7	-15.6	0.0	0.0	-0.6	-2.5

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-9 20	1-9 21	1-9 20	1-9 21	1-9 20	1-9 21	1-9 20	1-9 21
Net interest income	801.6	808.2	65.6	73.2	68.4	45.9	3,589.3	3,669.5
Net fee and commission income	381.2	425.5	6.7	3.4	-29.4	-19.0	1,448.3	1,690.4
Dividend income	2.5	2.9	5.0	10.4	0.0	0.0	15.7	28.1
Net trading result	4.9	-5.5	32.7	-11.0	-50.2	-37.2	9.0	67.5
Gains/losses from financial instruments at FVPL	-16.6	36.7	4.9	-11.1	0.0	0.0	81.4	133.5
Net result from equity method investments	0.0	0.0	3.6	3.9	0.0	0.0	9.9	10.0
Rental income from investment properties & other operating leases	28.6	31.5	-13.8	-13.8	-0.3	-0.3	132.3	136.1
General administrative expenses	-818.3	-814.8	-746.3	-663.2	627.4	538.2	-3,123.2	-3,141.0
Gains/losses from derecognition of financial assets at AC	0.1	1.2	0.5	0.9	-0.2	-0.9	0.2	1.8
Other gains/losses from derecognition of financial instruments not at FVPL	-1.5	-0.8	-1.0	0.0	0.2	0.8	-0.7	-18.8
Impairment result from financial instruments	-165.5	52.1	7.8	5.4	0.0	0.0	-870.1	-51.6
Other operating result	-7.8	-11.2	601.5	445.9	-615.9	-527.3	-213.6	-243.3
Levies on banking activities	-3.4	-3.8	-12.8	-13.9	0.0	0.0	-100.3	-71.6
Pre-tax result from continuing operations	**209.3**	**525.9**	**-32.7**	**-155.9**	**0.0**	**0.0**	**1,078.4**	**2,282.1**
Taxes on income	-59.4	-126.2	-59.1	109.4	0.0	0.0	-264.2	-433.6
Net result for the period	**149.8**	**399.7**	**-91.8**	**-46.5**	**0.0**	**0.0**	**814.2**	**1,848.5**
Net result attributable to non-controlling interests	116.4	331.0	5.9	2.4	0.0	0.0	177.1	397.2
Net result attributable to owners of the parent	**33.5**	**68.6**	**-97.7**	**-48.9**	**0.0**	**0.0**	**637.1**	**1,451.4**
Operating income	1,202.3	1,299.3	104.7	55.0	-11.4	-10.7	5,285.8	5,735.0
Operating expenses	-818.3	-814.8	-746.3	-663.2	627.4	538.2	-3,123.2	-3,141.0
Operating result	**384.0**	**484.6**	**-641.6**	**-608.2**	**615.9**	**527.5**	**2,162.7**	**2,594.0**
Risk-weighted assets (credit risk, eop)	23,220	27,518	1,551	2,671	0	0	94,527	107,554
Average allocated capital	3,088	3,725	6,158	5,141	0	0	21,226	23,181
Cost/income ratio	68.1%	62.7%	>100%	>100%	>100%	>100%	59.1%	54.8%
Return on allocated capital	6.5%	14.3%	-2.0%	-1.2%			5.1%	10.7%
Total assets (eop)	71,302	76,324	3,270	3,418	-39,924	-43,067	271,983	309,240
Total liabilities excluding equity (eop)	66,115	70,701	2,172	2,553	-39,949	-43,115	250,545	285,287
Impairments	**-165.5**	**52.1**	**5.7**	**4.8**	**0.0**	**0.0**	**-904.0**	**-70.7**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-160.0	50.9	6.3	18.5	0.0	0.0	-794.3	-5.8
Net impairment loss on commitments and guarantees given	-5.5	1.1	1.6	-13.1	0.0	0.0	-75.8	-45.9
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	-2.1	0.0	0.0	0.0	-2.1	0.0
Net impairment on other non-financial assets	0.0	0.0	0.0	-0.6	0.0	0.0	-31.8	-19.1

29. Risk management

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2020.

Credit risk

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

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

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

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

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

Credit risk exposure

Credit risk exposure relates to the sum of the following balance sheet items:

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

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

- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

The credit risk exposure increased in the reporting period to EUR 310.6 billion (+8.3%; EUR 286.7 billion).

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

in EUR million	Credit risk exposure	Allowances	Adjustments	Carrying amount
Sep 21				
Cash and cash balances - demand deposits to credit institutions	1,008	-1	0	1,008
Debt instruments HfT	6,168	0	0	6,168
Non-trading debt instruments at FVPL	2,789	0	0	2,789
Debt securities	1,953	0	0	1,953
Loans and advances to banks	21	0	0	21
Loans and advances to customers	815	0	0	815
Debt instruments at FVOCI	8,785	-26	175	8,960
Debt securities	8,785	-26	175	8,960
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	234,247	-3,759	0	230,488
Debt securities	33,666	-15	0	33,651
Loans and advances to banks	27,734	-6	0	27,728
Loans and advances to customers	172,847	-3,738	0	169,109
Trade and other receivables	1,883	-86	0	1,797
Finance lease receivables	4,342	-134	0	4,208
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	94	0	0	94
Off balance-sheet exposures	51,237	-494	0	0
Total	**310,555**	**-4,499**	**175**	**255,513**
Dec 20				
Cash and cash balances - demand deposits to credit institutions	1,140	-1	0	1,139
Debt instruments HfT	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 debt instruments at FVOCI.

Credit risk volume is presented by:

- counterparty sector and financial instrument;
- industry and risk category;
- region and risk category;
- business segment and risk category;
- business segment and IFRS 9 treatment;
- geographical segment and risk category;
- geographical segment and IFRS 9 treatment.

Credit risk exposure by counterparty sector and financial instrument

in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments HfT	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	At amortised cost: Debt securities	At amortised cost: Loans and advances to banks	At amortised cost: Loans and advances to customers	Finance lease receivables	Positive fair value of derivatives	Trade and other receivables	Off balance-sheet exposures	Total
Sep 21												
Central banks	0	23	0	5	25	23,264	0	0	0	0	0	23,318
General governments	0	2,935	211	6,632	28,416	0	6,838	361	0	84	3,072	48,549
Credit institutions	1,008	2,487	619	962	4,279	4,470	0	3	93	36	844	14,801
Other financial corporations	0	343	1,017	237	151	0	4,388	71	1	28	2,572	8,807
Non-financial corporations	0	372	194	950	796	0	75,129	3,053	0	1,611	31,162	113,267
Households	0	8	748	0	0	0	86,492	854	0	123	13,587	101,812
Total	**1,008**	**6,168**	**2,789**	**8,785**	**33,666**	**27,734**	**172,847**	**4,342**	**94**	**1,883**	**51,237**	**310,555**
Dec 20												
Central banks	0	38	0	42	35	16,763	0	0	0	1	0	16,878
General governments	0	2,806	278	5,961	25,206	0	6,791	374	0	55	3,154	44,625
Credit institutions	1,140	2,914	625	944	3,510	4,707	0	4	204	29	852	14,928
Other financial corporations	0	146	999	205	146	0	3,727	73	1	28	2,235	7,560
Non-financial corporations	0	418	254	957	698	0	71,324	2,974	0	1,162	29,595	107,381
Households	0	1	579	0	0	0	81,885	810	0	130	11,922	95,327
Total	**1,140**	**6,322**	**2,736**	**8,109**	**29,594**	**21,469**	**163,727**	**4,235**	**205**	**1,405**	**47,758**	**286,699**

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 21					
Agriculture and forestry	2,295	931	213	130	3,569
Mining	709	88	4	22	824
Manufacturing	16,589	2,703	688	655	20,635
Energy and water supply	3,648	820	196	60	4,725
Construction	10,001	2,859	361	321	13,543
Trade	11,792	2,798	513	458	15,561
Transport and communication	6,649	1,323	413	176	8,561
Hotels and restaurants	3,245	1,748	423	325	5,741
Financial and insurance services	46,032	1,472	226	67	47,797
Real estate and housing	27,679	5,515	1,325	259	34,778
Services	12,797	2,083	329	443	15,652
Public administration	45,562	609	183	0	46,354
Education, health and art	2,932	721	147	95	3,895
Households	80,312	4,594	2,030	1,540	88,476
Other	396	1	48	0	445
Total	**270,638**	**28,265**	**7,101**	**4,551**	**310,555**
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
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
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**

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 21					
Core markets	**236,212**	**25,375**	**6,276**	**4,007**	**271,869**
Austria	108,601	12,640	1,703	1,781	124,725
Czech Republic	66,518	4,428	1,212	699	72,858
Romania	17,781	1,748	326	436	20,291
Slovakia	21,688	1,683	1,660	317	25,348
Hungary	11,778	1,299	674	181	13,932
Croatia	7,056	3,204	601	550	11,411
Serbia	2,789	373	100	42	3,303
Other EU	**22,403**	**1,423**	**472**	**278**	**24,577**
Other industrialised countries	**6,743**	**386**	**39**	**90**	**7,259**
Emerging markets	**5,280**	**1,081**	**314**	**175**	**6,850**
Southeastern Europe/CIS	2,874	794	184	133	3,985
Asia	2,020	114	29	29	2,193
Latin America	177	6	6	11	200
Middle East/Africa	208	167	95	2	472
Total	**270,638**	**28,265**	**7,101**	**4,551**	**310,555**
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
Romania	17,217	1,837	397	455	19,905
Slovakia	20,738	1,487	1,594	409	24,229
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**

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

Credit risk exposure by reporting segment and risk category

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

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 21					
Retail	64,875	5,752	2,563	1,502	74,692
Corporates	70,605	12,138	3,115	1,693	87,551
Group Markets	18,319	446	31	3	18,798
ALM & LCC	54,419	287	155	21	54,881
Savings Banks	62,286	9,610	1,236	1,316	74,449
GCC	134	33	0	17	184
Total	**270,638**	**28,265**	**7,101**	**4,551**	**310,555**
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	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Sep 21						
Retail	63,481	8,697	1,456	109	949	74,692
Corporates	63,586	17,653	1,527	226	4,559	87,551
Group Markets	11,960	183	3	0	6,653	18,798
ALM & LCC	54,301	217	20	0	343	54,881
Savings Banks	58,340	12,021	1,286	44	2,757	74,449
GCC	68	6	17	0	94	184
Total	**251,736**	**38,776**	**4,309**	**379**	**15,355**	**310,555**
Dec 20						
Retail	59,028	8,461	1,461	118	763	69,833
Corporates	60,296	16,931	1,551	251	3,907	82,936
Group Markets	10,273	116	1	0	6,741	17,131
ALM & LCC	44,273	308	19	0	326	44,925
Savings Banks	53,972	12,669	1,431	50	3,126	71,249
GCC	357	169	17	0	82	625
Total	**228,200**	**38,655**	**4,480**	**419**	**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) exposure consists of credit risks already impaired when purchased or originated.

The defaulted part of POCI amounted to 154 million (EUR 274 million), the non-defaulted part to EUR 226 million (EUR 145 million).

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 21					
Austria	**141,229**	**15,388**	**2,282**	**2,361**	**161,260**
EBOe & Subsidiaries	43,006	3,903	563	596	48,068
Savings Banks	62,286	9,610	1,236	1,316	74,449
Other Austria	35,937	1,876	482	448	38,743
Central and Eastern Europe	**121,779**	**12,830**	**4,793**	**2,173**	**141,576**
Czech Republic	67,826	4,505	1,508	736	74,575
Romania	15,773	1,630	325	461	18,189
Slovakia	18,433	1,657	1,549	300	21,939
Hungary	10,081	1,207	624	163	12,075
Croatia	7,445	3,476	689	473	12,083
Serbia	2,221	355	98	41	2,715
Other	**7,630**	**47**	**26**	**17**	**7,719**
Total	**270,638**	**28,265**	**7,101**	**4,551**	**310,555**
Dec 20					
Austria	**135,415**	**13,923**	**2,200**	**2,533**	**154,072**
EBOe & Subsidiaries	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
Central and Eastern Europe	**106,783**	**12,115**	**4,289**	**2,291**	**125,478**
Czech Republic	53,910	6,034	1,405	684	62,033
Romania	15,361	1,737	396	481	17,975
Slovakia	17,707	1,439	1,455	411	21,012
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 segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Sep 21						
Austria	**122,109**	**25,699**	**2,316**	**51**	**11,084**	**161,260**
EBOe & Subsidiaries	38,802	7,774	590	7	896	48,068
Savings Banks	58,340	12,021	1,286	44	2,757	74,449
Other Austria	24,967	5,904	440	0	7,431	38,743
Central and Eastern Europe	**122,151**	**12,964**	**1,976**	**328**	**4,156**	**141,576**
Czech Republic	67,302	5,389	670	52	1,163	74,575
Romania	14,104	2,494	395	59	1,137	18,189
Slovakia	18,326	2,670	292	113	537	21,939
Hungary	9,885	955	129	80	1,025	12,075
Croatia	10,331	1,255	452	22	23	12,083
Serbia	2,203	201	38	2	271	2,715
Other	**7,475**	**112**	**17**	**0**	**115**	**7,719**
Total	**251,736**	**38,776**	**4,309**	**379**	**15,355**	**310,555**
Dec 20						
Austria	**114,235**	**26,033**	**2,452**	**72**	**11,278**	**154,072**
EBOe & Subsidiaries	37,174	7,633	603	6	1,038	46,455
Savings Banks	53,972	12,669	1,431	50	3,126	71,249
Other Austria	23,089	5,731	418	17	7,114	36,368
Central and Eastern Europe	**107,204**	**12,351**	**2,011**	**347**	**3,565**	**125,478**
Czech Republic	56,144	4,793	642	47	408	62,033
Romania	13,775	2,430	403	69	1,298	17,975
Slovakia	17,413	2,709	302	130	459	21,012
Hungary	8,307	919	130	77	1,106	10,539
Croatia	9,468	1,317	511	22	33	11,351
Serbia	2,098	183	24	2	262	2,568
Other	**6,760**	**271**	**17**	**0**	**101**	**7,149**
Total	**228,200**	**38,655**	**4,480**	**419**	**14,945**	**286,699**

Expected credit loss measurement

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

Classification into stages and definition of credit-impaired financial instruments

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

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

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

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

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

Significant increase in credit risk determination

Assessment of significant increase in credit risk (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).

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

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

Relative thresholds for SICR assessment by geographical segment

	Threshold interval (x times)	
	Min	Max
Sep 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. The main rule in those cases is that downgrading of the ratings would lead to a positive conclusion on SICR. These rules are applied primarily to leasing and factoring business receivables.

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, therefore can be changed as a result of validation or after significant change of PD models. There were reestimations for individual entities and portfolios.

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

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

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

indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future.

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

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

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

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

Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

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

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

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

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

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

Life-time parameters

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

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

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

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

Incorporation of forward-looking information

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

The specific situation of the Covid-19 pandemic and extensive supporting measures, mainly the moratoria, including the still prevailing level of uncertainty of the development of the Covid-19 situation in 2021 (especially the occurrence and developments triggered by new variants, the pace of vaccination and potential new government measures), lead to the lagging of the macroeconomic reflection in credit risk parameters. Therefore, macroeconomic variables of 2020 were included as additional predictors for future values of credit risk parameters. Variables in 2020 have the same values across all three scenarios.

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

Considering the positive signs in the development of macroeconomic variables in 2021, the moderate upgrade of the industry heat-map done in the second quarter of 2021 was followed by a review of FLI shifts in most of the regions in the third quarter of 2021.

Below we are publishing scenarios used for CLA calculation and as well latest available GDP forecasts.

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

		Probability weights	GDP growth in %			
	Scenario	2021-2023	2020	2021	2022	2023
Sep 21						
Austria	Upside	1%		5.2	5.7	3.5
	Baseline	40%	-6.2	3.8	4.3	2.1
	Downside	59%		-2.0	1.8	-0.1
Czech Republic	Upside	3%		5.8	6.4	6.6
	Baseline	50%	-5.8	3.7	4.3	4.5
	Downside	47%		0.8	1.4	1.6
Slovakia	Upside	10%		6.3	6.9	6.2
	Baseline	50%	-5.2	4.2	4.8	4.1
	Downside	40%		-2.1	0.1	0.9
Romania	Upside	9%		9.7	7.5	7.7
	Baseline	50%	-3.7	6.7	4.5	4.7
	Downside	41%		-1.7	-0.4	1.7
Hungary	Upside	6%		5.1	6.6	5.2
	Baseline	40%	-5.0	3.9	5.4	4.0
	Downside	54%		-1.3	1.6	2.0
Croatia	Upside	8%		8.2	9.0	9.1
	Baseline	40%	-8.4	5.2	3.6	4.0
	Downside	52%		-2.5	-1.4	0.9
Serbia	Upside	5%		8.9	6.4	6.4
	Baseline	50%	-1.0	7.0	4.5	4.5
	Downside	45%		0.3	1.0	2.4

The 2020 values were changed in comparison with the half-year financial report 2021 due to ongoing updates of the external statistical data for past year.

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 we have introduced a conservative downside scenario with relatively high probability of occurrence as shown in the GDP overview table above.

Actual and forecast of GDP growth

in %	2020	2021	2022	2023
Sep 21				
Austria	-6.2	3.8	4.3	2.1
Czech Republic	-5.8	3.7	4.3	4.5
Slovakia	-5.2	4.2	4.8	4.1
Romania	-3.7	6.7	4.5	4.7
Hungary	-5.0	7.5	4.3	4.1
Croatia	-8.0	7.3	5.1	4.5
Serbia	-1.0	7.0	4.5	4.5

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 mid 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, many 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
Sep 21			
Agriculture and forestry	14	6	57
Mining	-	-	8
Manufacturing	4	26	775
Energy and water supply	-	0	28
Construction	0	5	159
Trade	5	8	599
Transport and communication	9	7	347
Hotels and restaurants	8	81	192
Financial and insurance services	-	4	0
Real estate and housing	7	55	19
Services	3	7	215
Public administration	-	0	0
Education, health and art	0	1	49
Total	**51**	**203**	**2,449**
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 measures applied in the response to Covid-19 were granted and are currently valid (have not expired) amounted to EUR 2,702 million (31 December 2020: EUR 3,477 million). Manufacturing, trade, followed by transport and communication and hotels and restaurants accounted for the highest volumes.

As of 30 September 2021, loans and advances of households to which the measures applied in the response to Covid-19 were granted and were currently valid (have not expired), amounted to EUR 295 million (EUR 3,270 million).

Besides the measures disclosed in the table above, additional measures that do not meet the forbearance criteria amounting to EUR 6,645 million (EUR 3,582 million) were approved as a direct response to the Covid-19 crisis.

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, moderate 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. Recently, the economic development and the ability of many industries to adapt to new conditions resulted in several upgrades from critical or high risk categories into lower risk categories. 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.

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
Sep 21								
Agriculture and forestry	2,862	543	126	6	3,536	33	3,569	- 104
of which significant risk	9	3	0	-	13	0	13	-0
Mining	575	46	15	3	638	186	824	- 19
of which significant risk	59	6	0	-	66	1	66	-1
Manufacturing	14,412	4,411	610	37	19,470	1,165	20,635	- 571
of which significant risk	3,292	2,497	262	12	6,063	457	6,520	- 240
Energy and water supply	3,737	733	55	4	4,530	195	4,725	- 98
of which significant risk	17	40	0	0	57	1	58	-0
Construction	9,954	1,667	269	11	11,902	1,641	13,543	- 294
of which significant risk	23	27	2	0	53	2	55	-2
Trade	11,114	2,834	440	22	14,411	1,151	15,561	- 426
of which significant risk	1,638	1,011	139	6	2,794	141	2,934	- 119
Transport and communication	5,880	2,252	162	15	8,310	252	8,561	- 184
of which significant risk	535	1,255	23	8	1,821	24	1,846	- 55
Hotels and restaurants	1,205	4,142	312	28	5,688	54	5,741	- 283
of which significant risk	1,113	4,085	301	28	5,527	54	5,580	- 273
Financial and insurance services	41,054	1,558	64	11	42,686	5,111	47,797	- 113
Real estate and housing	27,681	6,200	245	117	34,244	534	34,778	- 410
of which significant risk	167	442	26	0	635	5	640	- 24
Services	9,929	4,487	426	12	14,854	798	15,652	- 387
of which significant risk	2,035	3,012	205	5	5,257	146	5,403	- 195
Public administration	42,599	631	0	2	43,232	3,122	46,354	- 51
Education, health and art	2,664	1,092	89	2	3,847	48	3,895	- 115
of which significant risk	333	521	52	2	907	26	933	- 60
Private households	77,704	8,173	1,495	108	87,480	996	88,476	- 1,444
Other	367	6	0	0	373	72	445	-0
Total	**251,736**	**38,776**	**4,309**	**379**	**295,200**	**15,355**	**310,555**	**-4,499**
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.

We have concluded so far that the majority of moratoria introduced in our core markets due to the Covid-19 pandemic fulfil the conditions as defined in the EBA guidelines published during the year 2020. Relief offered to credit owners thus did not result in an automatic transfers from Stage 1 to Stage 2. However, Erste Group continues to perform individual assessments whether there are other circumstances that would lead to forbearance or default classification.

We have re-assessed credit risk parameters based on the new macro-scenarios FLI overlay in December 2020. We continued in monitoring of the macro and macro-prediction development in order to reflect up-to-date information in our credit risk parameters. GDP scenarios and weights are shown in the table displayed within Incorporation of forward looking information section above. The effect of the FLI in the ECL calculation as of 30 September 2021 amounted to EUR 544 million. The increase of EUR 427 million (thereof EUR 17 million in the first three quarters of 2021) since 31 December 2019 can be directly attributed to the Covid-19 situation.

Erste Group has addressed expected SICR by introducing Covid-19 portfolio overlays. We divided the portfolio in private individuals (PIs) and non-private individuals (non-PIs) and assessed the customers by taking into account any Covid-19 related relief measure granted 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 30 September 2021 amounted to EUR 221 million; the decrease by EUR 24 million observed in the first three quarters of 2021 was mainly affected by the industry heat map review in the second quarter.

Erste Group will assess releases of Covid-19 portfolio overlays for PI portfolios once the moratoria are lifted. When moratoria do no longer distort DPD information, behavioural scoring will allow an unbiased SICR assessment. In case of non-PI portfolios, release of the overlays will be assessed after expiration of the measures enables a proper re-rating. Release will follow in combination with a consistent improvement of the macro indicators.
Erste Group expects an increase in defaults especially after state measures are lifted. A moderate portfolio deterioration is expected in 2022.

The analysis tables below present staging splits of the current performing exposure and ECL. Movements of exposures between performing stages and resulting changes in ECL triggered by effect of Covid-19 SICR overlays and FLI macro overlays is shown. Effects on industry segments, high risk industry subsegments and geographical segment are disclosed.

Analysis shows that out of a EUR 38,776 million exposure in Stage 2, EUR 12,787 million were migrated due to Covid-19 overlays, resulting in an increase of ECL of EUR 221 million. Further EUR 5,430 million were migrated to Stage 2 due to FLI overlay, resulting in an ECL increase of EUR 427 million (the difference of the FLI effect between 31 December 2019 and 30 September 2021).

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

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

Impact on credit risk exposure by geographical segment

	Current status - parameters (FLI shifted)		Effect of stage overlays due to Covid-19		Effect of FLI shifts	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Sep 21						
Austria	**122,109**	**25,699**	**+8,236.2**	**-8,236.2**	**+3,897.4**	**-3,897.4**
EBOe & Subs.	38,802	7,774	+2,596.4	-2,596.4	+1,033.8	-1,033.8
Savings Banks	58,340	12,021	+4,363.7	-4,363.7	+1,538.7	-1,538.7
Other Austria	24,967	5,904	+1,276.1	-1,276.1	+1,324.9	-1,324.9
CEE	**122,151**	**12,964**	**+4,550.8**	**-4,550.8**	**+1,532.5**	**-1,532.5**
Czech Republic	67,302	5,389	+1,606.6	-1,606.6	+638.9	-638.9
Slovakia	18,326	2,670	+1,505.5	-1,505.5	+63.9	-63.9
Romania	14,104	2,494	+557.1	-557.1	+638.1	-638.1
Hungary	9,885	955	+323.6	-323.6	+134.9	-134.9
Croatia	10,331	1,255	+441.6	-441.6	+42.2	-42.2
Serbia	2,203	201	+116.3	-116.3	+14.5	-14.5
Other	**7,475**	**112**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**251,736**	**38,776**	**+12,786.9**	**-12,786.9**	**+5,429.9**	**-5,429.9**
Dec 20						
Austria	114,235	26,033	+9,496.9	-9,496.9	+4,519.9	-4,519.9
EBOe & Subs.	37,174	7,633	+2,635.1	-2,635.1	+1,305.2	-1,305.2
Savings Banks	53,972	12,669	+5,007.5	-5,007.5	+2,042.6	-2,042.6
Other Austria	**23,089**	**5,731**	**+1,854.4**	**-1,854.4**	**+1,172.1**	**-1,172.1**
CEE	107,204	12,351	+4,922.6	-4,922.6	+1,363.7	-1,363.7
Czech Republic	56,144	4,793	+1,576.0	-1,576.0	+534.2	-534.2
Slovakia	17,413	2,709	+1,535.5	-1,535.5	+103.1	-103.1
Romania	13,775	2,430	+793.4	-793.4	+480.2	-480.2
Hungary	8,307	919	+468.0	-468.0	+162.2	-162.2
Croatia	9,468	1,317	+455.8	-455.8	+66.7	-66.7
Serbia	2,098	183	+93.9	-93.9	+17.3	-17.3
Other	**6,760**	**271**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**228,200**	**38,655**	**+14,419.5**	**-14,419.5**	**+5,883.6**	**-5,883.6**

Impact on credit loss allowances by geographical segment

	Current status - parameters (FLI shifted)		Effect of stage overlays due to Covid-19		Effect of FLI shifts	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Sep 21						
Austria	**-201**	**-694**	**-36.3**	**+136.1**	**+84.7**	**+194.9**
EBOe & Subs.	-43	-164	-8.8	+41.0	+18.0	+41.1
Savings Banks	-128	-350	-22.8	+77.8	+51.1	+87.0
Other Austria	-31	-180	-4.6	+17.3	+15.5	+66.8
CEE	**-294**	**-775**	**-51.4**	**+172.3**	**+81.1**	**+183.6**
Czech Republic	-99	-277	-15.1	+49.2	+21.6	+48.8
Slovakia	-38	-128	-12.4	+41.7	+9.0	+5.1
Romania	-62	-194	-7.6	+27.4	+13.0	+85.9
Hungary	-27	-70	-3.6	+13.4	+14.1	+32.2
Croatia	-56	-90	-10.5	+33.6	+20.4	+9.4
Serbia	-12	-15	-2.1	+7.1	+3.1	+2.2
Other	**-1**	**-2**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**-496**	**-1,470**	**-87.6**	**+308.5**	**+165.8**	**+378.5**
Dec 20						
Austria	**-183**	**-685**	**-43.6**	**+158.4**	**+68.6**	**+202.3**
EBOe & Subs.	-41	-152	-10.2	+39.8	+17.8	+39.1
Savings Banks	-119	-371	-28.6	+95.2	+42.9	+94.2
Other Austria	-23	-162	-4.8	+23.4	+7.8	+69.0
CEE	**-280**	**-737**	**-66.0**	**+196.2**	**+97.6**	**+159.1**
Czech Republic	-100	-252	-20.6	+50.4	+40.9	+56.3
Slovakia	-35	-140	-13.7	+51.4	+12.7	+3.1
Romania	-53	-183	-12.9	+39.7	+6.2	+62.1
Hungary	-22	-64	-6.5	+19.1	+14.3	+25.6
Croatia	-57	-86	-10.2	+30.5	+20.2	+9.6
Serbia	-12	-13	-2.1	+5.2	+3.3	+2.5
Other	**-1**	**-1**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**-464**	**-1,424**	**-109.5**	**+354.6**	**+166.2**	**+361.4**

Impact on credit risk exposure by industry

	Current status - parameters (FLI shifted)		Effect of stage overlays due to Covid-19		Effect of FLI shifts	
in EUR million	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**
Sep 21						
Agriculture and forestry	2,862	543	+146.6	-146.6	+62.5	-62.5
of which significant risk	9	3	+3.3	-3.3	+0.0	-0.0
Mining	575	46	+10.9	-10.9	+8.8	-8.8
of which significant risk	59	6	+1.0	-1.0	+0.0	+0.0
Manufacturing	14,412	4,411	+2,046.5	-2,046.5	+679.7	-679.7
of which significant risk	3,292	2,497	+1,534.1	-1,534.1	+104.3	-104.3
Energy and water supply	3,737	733	+19.5	-19.5	+76.2	-76.2
of which significant risk	17	40	+0.0	+0.0	+0.0	+0.0
Construction	9,954	1,667	+193.3	-193.3	+631.4	-631.4
of which significant risk	23	27	+15.9	-15.9	+0.1	-0.1
Trade	11,114	2,834	+1,099.1	-1,099.1	+391.3	-391.3
of which significant risk	1,638	1,011	+748.6	-748.6	+46.3	-46.3
Transport and communication	5,880	2,252	+921.7	-921.7	+248.3	-248.3
of which significant risk	535	1,255	+725.9	-725.9	+8.4	-8.4
Hotels and restaurants	1,205	4,142	+3,030.8	-3,030.8	+12.5	-12.5
of which significant risk	1,113	4,085	+3,000.3	-3,000.3	+12.5	-12.5
Financial and insurance services	41,054	1,558	+6.9	-6.9	+367.1	-367.1
Real estate and housing	27,681	6,200	+1,874.7	-1,874.7	+1,424.5	-1,424.5
of which significant risk	167	442	+297.6	-297.6	+58.7	-58.7
Services	9,929	4,487	+2,298.7	-2,298.7	+178.1	-178.1
of which significant risk	2,035	3,012	+2,258.5	-2,258.5	+14.0	-14.0
Public administration	42,599	631	+12.0	-12.0	+219.6	-219.6
Education, health and art	2,664	1,092	+608.7	-608.7	+106.5	-106.5
of which significant risk	333	521	+380.7	-380.7	+52.6	-52.6
Households	77,704	8,173	+517.6	-517.6	+1,023.4	-1,023.4
Other	367	6	+0.0	+0.0	+0.0	-0.0
Total	**251,736**	**38,776**	**+12,786.9**	**-12,786.9**	**+5,429.9**	**-5,429.9**
Dec 20						
Agriculture and forestry	2,550	593	+145.9	-145.9	+88.3	-88.3
of which significant risk	6	8	+0.4	-0.4	+0.0	-0.0
Mining	544	64	+16.4	-16.4	+8.7	-8.7
of which significant risk	382	10	+5.9	-5.9	+0.1	-0.1
Manufacturing	13,658	4,914	+3,199.3	-3,199.3	+1,020.0	-1,020.0
of which significant risk	3,838	3,264	+2,737.2	-2,737.2	+236.2	-236.2
Energy and water supply	4,054	577	+6.5	-6.5	+84.7	-84.7
of which significant risk	0	3	+0.0	+0.0	+0.0	+0.0
Construction	9,330	1,789	+186.3	-186.3	+848.6	-848.6
of which significant risk	23	13	+103.6	-103.6	+0.0	+0.0
Trade	9,251	3,758	+1,861.1	-1,861.1	+386.5	-386.5
of which significant risk	2,169	2,244	+1,600.7	-1,600.7	+72.0	-72.0
Transport and communication	5,759	1,993	+1,178.8	-1,178.8	+201.2	-201.2
of which significant risk	977	1,192	+989.0	-989.0	+10.8	-10.8
Hotels and restaurants	1,281	3,977	+2,935.3	-2,935.3	+100.9	-100.9
of which significant risk	1,225	3,933	+2,898.5	-2,898.5	+100.9	-100.9
Financial and insurance services	32,797	1,714	+13.0	-13.0	+137.3	-137.3
Real estate and housing	25,893	5,824	+1,415.7	-1,415.7	+1,715.3	-1,715.3
of which significant risk	242	340	+240.3	-240.3	+6.1	-6.1
Services	9,461	3,976	+1,916.4	-1,916.4	+173.4	-173.4
of which significant risk	2,395	2,688	+1,891.4	-1,891.4	+92.6	-92.6
Public administration	38,571	560	+1.3	-1.3	+253.8	-253.8
Education, health and art	2,604	932	+572.5	-572.5	+117.7	-117.7
of which significant risk	280	465	+336.0	-336.0	+7.6	-7.6
Households	71,994	7,967	+971.0	-971.0	+745.7	-745.7
Other	452	19	+0.0	-0.0	+1.4	-1.4
Total	**228,200**	**38,655**	**+14,419.5**	**-14,419.5**	**+5,883.6**	**-5,883.6**

Impact on credit loss allowances by industry

	Current status - parameters (FLI shifted)	Effect of stage overlays due to Covid-19		Effect of FLI shifts	
in EUR million	**All stages**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**
Sep 21					
Agriculture and forestry	-104	-2.3	+6.8	+3.5	+6.8
of which significant risk	-0	-0.1	+0.2	+0.0	+0.0
Mining	-19	-0.1	+0.3	+0.4	+0.6
of which significant risk	-1	-0.0	+0.1	+0.0	+0.0
Manufacturing	-571	-16.4	+46.8	+23.4	+62.6
of which significant risk	-240	-11.4	+33.5	+9.4	+22.4
Energy and water supply	-98	-0.2	+0.7	+5.7	+8.9
of which significant risk	-0	+0.0	+0.0	+0.0	+0.0
Construction	-294	-1.9	+5.3	+15.5	+25.6
of which significant risk	-2	-0.2	+0.4	+0.9	+0.5
Trade	-426	-8.9	+24.1	+17.4	+28.5
of which significant risk	-119	-4.7	+12.5	+3.8	+5.6
Transport and communication	-184	-6.9	+30.1	+7.8	+21.9
of which significant risk	-55	-5.0	+24.5	+2.7	+6.3
Hotels and restaurants	-283	-21.3	+80.7	+11.4	+14.8
of which significant risk	-273	-20.7	+78.0	+11.0	+14.4
Financial and insurance services	-113	-0.0	+0.2	+7.0	+17.8
Real estate and housing	-410	-11.3	+43.8	+29.0	+40.7
of which significant risk	-24	-1.8	+6.9	+3.5	+3.7
Services	-387	-8.9	+34.7	+7.3	+14.0
of which significant risk	-195	-8.5	+33.5	+4.7	+6.8
Public administration	-51	-0.2	+0.6	+1.3	+3.7
Education, health and art	-115	-3.2	+10.4	+4.2	+8.8
of which significant risk	-60	-2.0	+6.5	+1.7	+3.9
Households	-1,444	-6.1	+24.1	+31.8	+123.9
Other	-0	+0.0	+0.0	+0.0	+0.1
Total	**-4,499**	**-87.6**	**+308.5**	**+165.8**	**+378.5**
Dec 20					
Agriculture and forestry	-101	-2.4	+5.3	+4.4	+15.9
of which significant risk	0	-0.0	+0.0	+0.1	+0.0
Mining	-20	-0.1	+0.3	+0.3	+0.4
of which significant risk	-13	-0.0	+0.1	+0.2	+0.1
Manufacturing	-587	-26.2	+64.8	+20.9	+65.2
of which significant risk	-278	-20.6	+51.4	+11.7	+22.4
Energy and water supply	-97	-0.1	+0.2	+5.4	+8.2
of which significant risk	0	+0.0	+0.0	+0.0	+0.0
Construction	-320	-1.7	+4.5	+12.6	+29.4
of which significant risk	-3	-0.7	+1.1	+0.4	+0.2
Trade	-441	-14.0	+35.1	+16.3	+29.7
of which significant risk	-172	-9.6	+25.3	+6.2	+10.3
Transport and communication	-182	-6.9	+26.9	+8.3	+15.8
of which significant risk	-48	-4.5	+20.0	+2.8	+3.4
Hotels and restaurants	-271	-19.1	+72.5	+9.7	+15.7
of which significant risk	-255	-18.9	+71.7	+9.6	+15.7
Financial and insurance services	-110	-0.1	+0.4	+5.8	+8.5
Real estate and housing	-390	-10.8	+44.5	+24.1	+46.0
of which significant risk	-21	-1.8	+7.6	+0.1	+0.2
Services	-426	-8.7	+32.0	+7.2	+15.0
of which significant risk	-263	-8.5	+31.4	+4.1	+8.2
Public administration	-25	-0.0	+0.0	+2.7	+0.3
Education, health and art	-99	-7.5	+18.8	+18.8	+22.2
of which significant risk	-58	-1.9	+6.1	+2.2	+2.4
Households	-1,452	-11.9	+49.2	+29.5	+88.1
Other	-1	-0.0	+0.0	+0.2	+0.9
Total	**- 4,522**	**-109.5**	**+354.6**	**+166.2**	**+361.4**

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

The analyses confirm that the FLI macro shift due to the Covid-19 induced macro situation is comparable in both exposure and ECL as of 30 September 2021 and 31 December 2020 . Credit risk exposure in an amount of EUR 5,430 million was in Stage 2 due to the FLI shift as of 30 September 2021 (EUR 5,884 million as of 31 December 2020). The ECL decreased by EUR 37 million to EUR 544 million in the third quarter of 2021. Our conservative probability weighted scenario results in higher Stage 2 migrations than the pure baseline scenario. That would lead to a decrease of Stage 2 exposure by EUR 1,525 million resulting in an ECL drop by EUR 89 million (EUR 88 million release from Stage 2 and EUR 1 million from Stage 1). The downside scenario would lead to additional EUR 1,836 million of exposure migration to Stage 2, resulting in ECL increase of EUR 105 million. Differences between the scenarios are rather mild. The biggest effect is caused by the incorporation of the 2020 macroeconomic variables relating to the Covid-19 induced crisis into the scenarios. These variables are however taken into account in each scenario with the same value. The differences among the scenarios are therefore caused by differences in the recovery estimates for the years 2021-2023.

Scenario analysis – Different probabilities of default (PD)

Impact of different scenarios on credit risk exposure by geographical segment

	Point in time (effect of FLI shifts)		Upside scenario		Baseline scenario		Downside scenario	
in EUR million	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**	**Stage 1**	**Stage 2**
Sep 21								
Austria	**+3,897.4**	**-3,897.4**	**+2,015.2**	**-2,015.2**	**+1,203.6**	**-1,203.6**	**-1,346.9**	**+1,346.9**
EBOe & Subs.	+1,033.8	-1,033.8	+517.5	-517.5	+355.0	-355.0	-291.7	+291.7
Savings Banks	+1,538.7	-1,538.7	+406.3	-406.3	+116.0	-116.0	-844.9	+844.9
Other Austria	+1,324.9	-1,324.9	+1,091.4	-1,091.4	+732.6	-732.6	-210.3	+210.3
CEE	**+1,532.5**	**-1,532.5**	**+722.1**	**-722.1**	**+321.3**	**-321.3**	**-489.8**	**+489.8**
Czech Republic	+638.9	-638.9	+211.9	-211.9	+108.6	-108.6	-66.6	+66.6
Slovakia	+63.9	-63.9	+5.6	-5.6	+3.3	-3.3	-4.5	+4.5
Romania	+638.1	-638.1	+461.3	-461.3	+187.3	-187.3	-302.2	+302.2
Hungary	+134.9	-134.9	+18.3	-18.3	+9.6	-9.6	-65.7	+65.7
Croatia	+42.2	-42.2	+17.2	-17.2	+8.0	-8.0	-25.1	+25.1
Serbia	+14.5	-14.5	+7.7	-7.7	+4.5	-4.5	-25.7	+25.7
Other	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**+5,429.9**	**-5,429.9**	**+2,737.3**	**-2,737.3**	**+1,524.9**	**-1,524.9**	**-1,836.8**	**+1,836.8**
Dec 20								
Austria	**+4,519.9**	**-4,519.9**	**+2,187.5**	**-2,187.5**	**+1,537.0**	**-1,537.0**	**-1,131.9**	**+1,131.9**
EBOe & Subs.	+1,305.2	-1,305.2	+730.6	-730.6	+569.4	-569.4	-269.3	+269.3
Savings Banks	+2,042.6	-2,042.6	+911.6	-911.6	+597.5	-597.5	-509.4	+509.4
Other Austria	+1,172.1	-1,172.1	+545.4	-545.4	+370.1	-370.1	-353.2	+353.2
CEE	**+1,363.7**	**-1,363.7**	**+688.1**	**-688.1**	**+330.0**	**-330.0**	**-458.1**	**+458.1**
Czech Republic	+534.2	-534.2	+305.0	-305.0	+164.1	-164.1	-164.1	+164.1
Slovakia	+103.1	-103.1	+8.5	-8.5	+4.8	-4.8	-5.3	+5.3
Romania	+480.2	-480.2	+315.0	-315.0	+129.2	-129.2	-247.6	+247.6
Hungary	+162.2	-162.2	+20.6	-20.6	+9.2	-9.2	-8.0	+8.0
Croatia	+66.7	-66.7	+30.5	-30.5	+15.9	-15.9	-15.0	+15.0
Serbia	+17.3	-17.3	+8.5	-8.5	+6.8	-6.8	-18.1	+18.1
Other	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**+5,883.6**	**-5,883.6**	**+2,875.7**	**-2,875.7**	**+1,867.1**	**-1,867.1**	**-1,590.0**	**+1,590.0**

Impact of different scenarios on credit loss allowances by geographical segment

	Point in time (effect of FLI shifts)		Upside scenario		Baseline scenario		Downside scenario	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Sep 21								
Austria	**+84.7**	**+194.9**	**-4.6**	**+90.8**	**+0.5**	**+55.0**	**+13.6**	**-62.7**
EBOe & Subs.	+18.0	+41.1	-1.3	+15.9	-0.4	+8.8	+2.1	-13.7
Savings Banks	+51.1	+87.0	-2.7	+26.4	-0.1	+9.5	+6.4	-40.1
Other Austria	+15.5	+66.8	-0.6	+48.5	+0.9	+36.7	+5.1	-8.9
CEE	**+81.1**	**+183.6**	**-1.2**	**+70.0**	**+0.3**	**+33.3**	**+0.5**	**-56.7**
Czech Republic	+21.6	+48.8	-1.7	+11.8	-0.9	+5.7	+0.8	-6.3
Slovakia	+9.0	+5.1	+2.6	+1.8	+1.5	+1.0	-2.5	-1.5
Romania	+13.0	+85.9	-4.3	+49.6	-1.6	+22.9	+2.6	-40.8
Hungary	+14.1	+32.2	-0.3	+3.2	-0.1	+1.6	+0.9	-4.8
Croatia	+20.4	+9.4	-0.6	+2.8	-0.3	+1.7	+0.6	-2.4
Serbia	+3.1	+2.2	+3.1	+0.8	+1.7	+0.4	-1.9	-0.9
Other	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**+165.8**	**+378.5**	**-5.8**	**+160.8**	**+0.8**	**+88.3**	**+14.1**	**-119.5**
Dec 20								
Austria	**+68.6**	**+202.3**	**-11.8**	**+100.8**	**-7.5**	**+66.2**	**+6.2**	**-52.6**
EBOe & Subs.	+17.8	+39.1	-2.8	+20.6	-2.0	+14.2	+1.7	-10.1
Savings Banks	+42.9	+94.2	-6.2	+43.6	-3.4	+26.7	+3.4	-24.5
Other Austria	+7.8	+69.0	-2.9	+36.7	-2.1	+25.3	+1.1	-18.1
CEE	**+97.6**	**+159.1**	**+2.4**	**+64.8**	**+1.9**	**+36.3**	**-2.6**	**-51.3**
Czech Republic	+40.9	+56.3	+1.5	+25.4	+1.0	+17.4	-0.2	-16.3
Slovakia	+12.7	+3.1	+2.8	+1.8	+1.6	+1.0	-3.2	-1.7
Romania	+6.2	+62.1	-3.2	+30.7	-1.5	+14.3	+1.8	-29.3
Hungary	+14.3	+25.6	-0.4	+2.3	-0.2	+1.2	+0.2	-0.9
Croatia	+20.2	+9.6	-1.0	+3.9	-0.5	+2.1	+0.4	-1.8
Serbia	+3.3	+2.5	+2.6	+0.6	+1.5	+0.4	-1.6	-1.2
Other	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**	**+0.0**
Total	**+166.2**	**+361.4**	**-9.4**	**+165.6**	**-5.6**	**+102.5**	**+3.6**	**-103.9**

Impact of different scenarios on credit risk exposure by industry

	Point in time (effect of FLI shifts)		Upside scenario		Baseline scenario		Downside scenario	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Sep 21								
Agriculture and forestry	+62.5	-62.5	-16.4	+16.4	-28.7	+28.7	-59.7	+59.7
of which significant risk	+0.0	-0.0	+0.0	-0.0	+0.0	-0.0	-0.1	+0.1
Mining	+8.8	-8.8	+1.9	-1.9	-0.1	+0.1	-15.3	+15.3
of which significant risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Manufacturing	+679.7	-679.7	+348.0	-348.0	+196.0	-196.0	-171.0	+171.0
of which significant risk	+104.3	-104.3	+38.2	-38.2	+28.4	-28.4	-52.8	+52.8
Energy and water supply	+76.2	-76.2	+50.1	-50.1	+38.0	-38.0	-8.6	+8.6
of which significant risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Construction	+631.4	-631.4	+264.0	-264.0	+89.3	-89.3	-143.2	+143.2
of which significant risk	+0.1	-0.1	+0.0	-0.0	+0.0	-0.0	-4.7	+4.7
Trade	+391.3	-391.3	+64.2	-64.2	+14.7	-14.7	-127.0	+127.0
of which significant risk	+46.3	-46.3	+1.8	-1.8	-13.7	+13.7	-32.0	+32.0
Transport and communication	+248.3	-248.3	+120.2	-120.2	+94.5	-94.5	-108.1	+108.1
of which significant risk	+8.4	-8.4	+2.9	-2.9	-2.8	+2.8	-15.3	+15.3
Hotels and restaurants	+12.5	-12.5	-40.6	+40.6	-53.2	+53.2	-143.6	+143.6
of which significant risk	+12.5	-12.5	-40.6	+40.6	-53.2	+53.2	-143.6	+143.6
Financial and insurance services	+367.1	-367.1	+298.5	-298.5	+289.1	-289.1	-30.6	+30.6
Real estate and housing	+1,424.5	-1,424.5	+832.2	-832.2	+455.6	-455.6	-409.9	+409.9
of which significant risk	+58.7	-58.7	+55.5	-55.5	+41.8	-41.8	-16.9	+16.9
Services	+178.1	-178.1	-21.1	+21.1	-46.2	+46.2	-156.2	+156.2
of which significant risk	+14.0	-14.0	-23.1	+23.1	-28.3	+28.3	-103.4	+103.4
Public administration	+219.6	-219.6	+214.1	-214.1	+213.2	-213.2	+2.6	-2.6
Education, health and art	+106.5	-106.5	+43.4	-43.4	+33.9	-33.9	-105.2	+105.2
of which significant risk	+52.6	-52.6	+45.5	-45.5	+44.1	-44.1	-69.0	+69.0
Households	+1,023.4	-1,023.4	+578.9	-578.9	+228.7	-228.7	-360.8	+360.8
Other	+0.0	-0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Total	**+5,429.9**	**-5,429.9**	**+2,737.3**	**-2,737.3**	**+1,524.9**	**-1,524.9**	**-1,836.8**	**+1,836.8**
Dec 20								
Agriculture and forestry	+88.3	-88.3	+20.5	-20.5	+13.7	-13.7	-12.6	+12.6
of which significant risk	+0.0	-0.0	+0.0	-0.0	+0.0	-0.0	-0.0	+0.0
Mining	+8.7	-8.7	+6.5	-6.5	+3.6	-3.6	-37.1	+37.1
of which significant risk	+0.1	-0.1	+0.0	+0.0	+0.0	+0.0	-27.0	+27.0
Manufacturing	+1,020.0	-1,020.0	+367.1	-367.1	+265.3	-265.3	-281.0	+281.0
of which significant risk	+236.2	-236.2	+147.4	-147.4	+116.4	-116.4	-164.7	+164.7
Energy and water supply	+84.7	-84.7	+50.6	-50.6	+43.1	-43.1	-16.3	+16.3
of which significant risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Construction	+848.6	-848.6	+320.9	-320.9	+228.0	-228.0	-104.4	+104.4
of which significant risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Trade	+386.5	-386.5	+110.1	-110.1	+60.4	-60.4	-125.9	+125.9
of which significant risk	+72.0	-72.0	+17.2	-17.2	+9.7	-9.7	-66.0	+66.0
Transport and communication	+201.2	-201.2	+127.5	-127.5	+110.5	-110.5	-74.8	+74.8
of which significant risk	+10.8	-10.8	+6.2	-6.2	+5.4	-5.4	-17.5	+17.5
Hotels and restaurants	+100.9	-100.9	+79.8	-79.8	+29.3	-29.3	-78.6	+78.6
of which significant risk	+100.9	-100.9	+79.8	-79.8	+29.3	-29.3	-78.6	+78.6
Financial and insurance services	+137.3	-137.3	+64.3	-64.3	+56.3	-56.3	-25.3	+25.3
Real estate and housing	+1,715.3	-1,715.3	+959.7	-959.7	+624.1	-624.1	-425.2	+425.2
of which significant risk	+6.1	-6.1	+0.3	-0.3	+0.2	-0.2	-6.9	+6.9
Services	+173.4	-173.4	+34.3	-34.3	+10.8	-10.8	-42.7	+42.7
of which significant risk	+92.6	-92.6	+13.7	-13.7	+1.5	-1.5	-35.9	+35.9
Public administration	+253.8	-253.8	+172.7	-172.7	+171.8	-171.8	-3.0	+3.0
Education, health and art	+117.7	-117.7	+110.4	-110.4	+58.0	-58.0	-65.6	+65.6
of which significant risk	+7.6	-7.6	+6.3	-6.3	+6.2	-6.2	-4.6	+4.6
Households	+745.7	-745.7	+450.4	-450.4	+191.9	-191.9	-289.8	+289.8
Other	+1.4	-1.4	+0.7	-0.7	+0.2	-0.2	-7.7	+7.7
Total	**+5,883.6**	**-5,883.6**	**+2,875.7**	**-2,875.7**	**+1,867.1**	**-1,867.1**	**-1,590.0**	**+1,590.0**

Impact of different scenarios on credit loss allowances by industry

	Point in time (effect of FLI shifts)		Upside scenario		Baseline scenario		Downside scenario	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Sep 21								
Agriculture and forestry	+3.5	+6.8	-0.4	+0.7	-0.3	-0.6	+0.0	-4.1
of which significant risk	+0.0	+0.0	+0.2	+0.0	+0.1	+0.0	-0.1	-0.0
Mining	+0.4	+0.6	+0.1	+0.0	+0.1	-0.2	+0.1	-0.5
of which significant risk	+0.0	+0.0	-0.0	+0.0	-0.0	+0.0	-0.0	-0.0
Manufacturing	+23.4	+62.6	+0.5	+30.1	+1.7	+17.8	+3.0	-14.5
of which significant risk	+9.4	+22.4	+1.2	+9.7	+1.0	+6.5	+0.6	-4.1
Energy and water supply	+5.7	+8.9	+0.2	+3.6	+0.4	+1.8	+0.5	-1.9
of which significant risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Construction	+15.5	+25.6	+0.2	+9.7	+1.2	+4.2	+2.3	-6.6
of which significant risk	+0.9	+0.5	+0.3	+0.2	+0.3	+0.1	+0.2	-0.1
Trade	+17.4	+28.5	+0.4	+7.5	+0.6	+3.5	+1.3	-9.5
of which significant risk	+3.8	+5.6	+0.6	+1.4	+0.5	+0.4	+0.1	-1.5
Transport and communication	+7.8	+21.9	-0.2	+11.4	-0.1	+7.7	+1.0	-7.1
of which significant risk	+2.7	+6.3	+0.3	+3.1	+0.3	+1.7	+0.2	-1.3
Hotels and restaurants	+11.4	+14.8	+0.9	+4.2	+1.1	+1.3	+2.0	-8.3
of which significant risk	+11.0	+14.4	+0.9	+4.0	+1.1	+1.1	+2.0	-8.2
Financial and insurance services	+7.0	+17.8	-0.5	+14.5	-0.4	+13.3	+1.2	-1.7
Real estate and housing	+29.0	+40.7	-1.1	+20.1	+0.6	+12.6	+4.7	-12.9
of which significant risk	+3.5	+3.7	+0.5	+1.7	+0.5	+1.3	+0.7	-0.5
Services	+7.3	+14.0	+0.1	+1.9	+0.3	-1.1	+0.9	-10.6
of which significant risk	+4.7	+6.8	+0.3	+1.0	+0.3	-0.3	+1.0	-7.3
Public administration	+1.3	+3.7	+0.0	+1.0	-0.0	+0.7	+0.0	-0.3
Education, health and art	+4.2	+8.8	-0.6	+3.9	-0.6	+2.5	+0.3	-5.1
of which significant risk	+1.7	+3.9	-0.5	+2.6	-0.5	+2.2	+0.2	-2.5
Households	+31.8	+123.9	-5.3	+51.9	-3.8	+24.9	-3.3	-36.4
Other	+0.0	+0.1	-0.0	+0.0	-0.0	+0.0	-0.0	-0.0
Total	**+165.8**	**+378.5**	**-5.8**	**+160.8**	**+0.8**	**+88.3**	**+14.1**	**-119.5**
Dec 20								
Agriculture and forestry	+4.4	+15.9	+0.1	+4.3	+0.0	+2.7	-0.1	-2.1
of which significant risk	+0.1	+0.0	+0.1	+0.0	+0.1	+0.0	-0.1	-0.0
Mining	+0.3	+0.4	-0.0	+0.2	-0.0	+0.1	+0.1	-0.9
of which significant risk	+0.2	+0.1	+0.0	+0.0	+0.0	+0.0	+0.1	-0.7
Manufacturing	+20.9	+65.2	-1.4	+28.7	-1.1	+19.5	+0.9	-16.8
of which significant risk	+11.7	+22.4	-0.5	+11.3	-0.6	+8.5	+0.4	-7.3
Energy and water supply	+5.4	+8.2	-0.3	+4.2	-0.3	+3.1	-0.1	-2.0
of which significant risk	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0	+0.0
Construction	+12.6	+29.4	-2.0	+12.2	-1.3	+8.0	+0.7	-5.5
of which significant risk	+0.4	+0.2	+0.0	+0.0	+0.0	+0.0	+0.0	-0.0
Trade	+16.3	+29.7	+0.0	+10.4	+0.1	+6.3	+0.5	-6.9
of which significant risk	+6.2	+10.3	+0.4	+3.5	+0.2	+2.2	+0.5	-3.5
Transport and communication	+8.3	+15.8	-0.3	+9.4	-0.4	+7.2	-0.1	-4.8
of which significant risk	+2.8	+3.4	+0.2	+1.8	+0.1	+1.2	-0.1	-1.2
Hotels and restaurants	+9.7	+15.7	-0.4	+7.6	-0.0	+4.3	+0.8	-6.2
of which significant risk	+9.6	+15.7	-0.4	+7.6	-0.0	+4.3	+0.8	-6.2
Financial and insurance services	+5.8	+8.5	-0.2	+4.8	-0.2	+3.3	+0.1	-2.3
Real estate and housing	+24.1	+46.0	-4.3	+25.0	-2.8	+17.3	+2.0	-12.3
of which significant risk	+0.1	+0.2	+0.0	+0.2	+0.0	+0.1	+0.1	-0.3
Services	+7.2	+15.0	-0.0	+5.0	+0.1	+2.8	+0.2	-3.2
of which significant risk	+4.1	+8.2	-0.0	+3.0	+0.0	+1.7	+0.3	-2.2
Public administration	+2.7	+0.3	-0.0	+0.3	-0.0	+0.3	+0.0	-0.1
Education, health and art	+18.8	+22.2	+0.4	+12.9	+0.4	+8.2	-0.4	-6.9
of which significant risk	+2.2	+2.4	+0.0	+1.3	-0.0	+1.0	+0.0	-0.6
Households	+29.5	+88.1	-1.1	+40.4	-0.1	+19.2	-1.1	-33.4
Other	+0.2	+0.9	+0.0	+0.3	+0.0	+0.1	+0.0	-0.5
Total	**+166.2**	**+361.4**	**-9.4**	**+165.6**	**-5.6**	**+102.5**	**+3.6**	**-103.9**

Loans and advances to customers

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

Loans and advances to customers comprise:

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

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

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

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 21					
Retail	55,996	5,123	2,364	1,484	64,967
Corporates	47,519	9,411	2,540	1,534	61,004
Group Markets	739	29	2	0	770
ALM & LCC	57	19	95	5	175
Savings Banks	42,910	7,657	1,067	1,245	52,878
GCC	29	6	0	17	53
Total	**147,249**	**22,245**	**6,069**	**4,284**	**179,848**
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**	**4,533**	**170,021**

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

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Sep 21							
Retail	54,846	7,830	1,439	106	64,222	745	64,967
Corporates	45,043	14,283	1,438	179	60,943	61	61,004
Group Markets	733	37	0	0	770	0	770
ALM & LCC	158	13	5	0	175	0	175
Savings Banks	41,630	9,977	1,220	44	52,871	7	52,878
GCC	32	2	17	0	51	2	53
Total	**142,442**	**32,142**	**4,119**	**329**	**179,032**	**815**	**179,848**
Dec 20							
Retail	51,256	7,638	1,443	115	60,452	573	61,025
Corporates	42,700	13,097	1,466	203	57,466	100	57,567
Group Markets	532	44	1	0	577	0	577
ALM & LCC	213	26	4	0	243	0	243
Savings Banks	38,616	10,355	1,363	49	50,383	10	50,393
GCC	26	169	17	0	211	4	215
Total	**133,343**	**31,329**	**4,293**	**368**	**169,333**	**687**	**170,021**

Loans and advances to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Sep 21					
Austria	**90,310**	**12,050**	**1,939**	**2,228**	**106,527**
EBOe & Subsidiaries	32,628	3,278	503	564	36,973
Savings Banks	42,910	7,657	1,067	1,245	52,878
Other Austria	14,772	1,116	369	419	16,676
Central and Eastern Europe	**56,892**	**10,176**	**4,130**	**2,039**	**73,237**
Czech Republic	27,184	3,580	1,353	697	32,814
Romania	8,038	1,175	297	401	9,911
Slovakia	12,868	1,393	1,268	297	15,826
Hungary	3,603	979	532	156	5,270
Croatia	3,846	2,728	583	450	7,607
Serbia	1,354	321	97	38	1,809
Other	**48**	**19**	**0**	**17**	**84**
Total	**147,249**	**22,245**	**6,069**	**4,284**	**179,848**
Dec 20					
Austria	**86,658**	**10,610**	**1,708**	**2,401**	**101,376**
Erste Bank Oesterreich & Subsidiaries	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
Central and Eastern Europe	**52,956**	**9,645**	**3,687**	**2,116**	**68,404**
Czech Republic	22,899	4,771	1,275	651	29,597
Romania	7,317	1,231	349	419	9,316
Slovakia	12,481	1,227	1,216	364	15,289
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**	**4,533**	**170,021**

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

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Sep 21							
Austria	**83,140**	**21,077**	**2,192**	**50**	**106,459**	**68**	**106,527**
EBOe & Subsidiaries	30,004	6,392	560	7	36,962	11	36,973
Savings Banks	41,630	9,977	1,220	44	52,871	7	52,878
Other Austria	11,506	4,708	411	0	16,625	51	16,676
Central and Eastern Europe	**59,252**	**11,051**	**1,911**	**279**	**72,492**	**745**	**73,237**
Czech Republic	27,621	4,491	650	52	32,814	0	32,814
Romania	7,375	2,101	378	57	9,911	0	9,911
Slovakia	13,084	2,384	292	67	15,826	0	15,826
Hungary	3,438	883	125	79	4,525	745	5,270
Croatia	6,157	997	431	22	7,607	0	7,607
Serbia	1,577	195	36	2	1,809	0	1,809
Other	**51**	**14**	**17**	**0**	**82**	**2**	**84**
Total	**142,442**	**32,142**	**4,119**	**329**	**179,032**	**815**	**179,848**
Dec 20							
Austria	**78,106**	**20,748**	**2,341**	**71**	**101,267**	**109**	**101,376**
EBOe & Subsidiaries	28,688	6,352	575	6	35,622	12	35,634
Savings Banks	38,616	10,355	1,363	49	50,383	10	50,393
Other Austria	10,803	4,041	403	16	15,262	87	15,349
Central and Eastern Europe	**55,187**	**10,410**	**1,935**	**296**	**67,829**	**575**	**68,404**
Czech Republic	24,980	3,958	611	47	29,596	2	29,597
Romania	6,818	2,044	387	66	9,316	0	9,316
Slovakia	12,514	2,390	301	84	15,289	0	15,289
Hungary	3,354	820	124	76	4,374	573	4,947
Croatia	5,973	1,028	489	22	7,511	0	7,511
Serbia	1,548	171	23	2	1,744	0	1,744
Other	**49**	**171**	**17**	**0**	**237**	**4**	**240**
Total	**133,343**	**31,329**	**4,293**	**368**	**169,333**	**687**	**170,021**

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

The defaulted part of POCI loans amounted to EUR 152 million (EUR 226 million), the non-defaulted part to EUR 177 million (EUR 142 million).

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

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

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

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Sep 21												
Retail	1,484	1,481	64,967	64,222	-1,468	589	586	2.3%	2.3%	99.1%	39.7%	39.6%
Corporates	1,534	1,525	61,004	60,943	-1,544	615	614	2.5%	2.5%	101.2%	40.1%	40.3%
Group Markets	0	0	770	770	-2	0	0	0.0%	0.0%	636.9%	0.0%	0.0%
ALM & LCC	5	5	175	175	-11	0	0	2.6%	2.6%	236.3%	1.3%	1.3%
Savings Banks	1,245	1,243	52,878	52,871	-916	653	652	2.4%	2.4%	73.7%	52.5%	52.4%
GCC	17	14	53	51	-16	8	6	31.8%	28.1%	112.4%	48.0%	38.7%
Total	**4,284**	**4,269**	**179,848**	**179,032**	**-3,957**	**1,865**	**1,858**	**2.4%**	**2.4%**	**92.7%**	**43.5%**	**43.5%**
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	**4,533**	**4,518**	**170,021**	**169,333**	**-4,002**	**1,970**	**1,964**	**2.7%**	**2.7%**	**88.6%**	**43.5%**	**43.5%**

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

	Loans to customers				Allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Sep 21											
Retail	54,846	7,830	1,439	106	-131	-444	-864	-30	5.7%	60.0%	27.8%
Corporates	45,043	14,283	1,438	179	-144	-516	-826	-59	3.6%	57.4%	33.0%
Group Markets	733	37	0	0	-1	-1	0	0	1.5%	22.5%	0.0%
ALM & LCC	158	13	5	0	-1	-5	-4	0	41.9%	90.5%	0.0%
Savings Banks	41,630	9,977	1,220	44	-98	-277	-540	-1	2.8%	44.2%	1.5%
GCC	32	2	17	0	-1	0	-15	0	3.7%	92.1%	0.0%
Total	**142,442**	**32,142**	**4,119**	**329**	**-377**	**-1,242**	**-2,249**	**-89**	**3.9%**	**54.6%**	**27.1%**
Dec 20											
Retail	51,256	7,638	1,443	115	-129	-455	-849	-34	6.0%	58.8%	29.4%
Corporates	42,700	13,097	1,466	203	-135	-443	-865	-88	3.4%	59.0%	43.2%
Group Markets	532	44	1	0	-1	-2	0	0	4.5%	5.3%	100.0%
ALM & LCC	213	26	4	0	-1	-6	-4	0	21.7%	115.2%	
Savings Banks	38,616	10,355	1,363	49	-93	-287	-592	-4	2.8%	43.5%	7.6%
GCC	26	169	17	0	0	0	-16	0	0.1%	93.7%	0.0%
Total	**133,343**	**31,329**	**4,293**	**368**	**-358**	**-1,193**	**-2,326**	**-125**	**3.8%**	**54.2%**	**34.1%**

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

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Sep 21												
Austria	**2,228**	**2,218**	**106,527**	**106,459**	**-1,626**	**1,123**	**1,121**	**2.1%**	**2.1%**	**73.3%**	**50.4%**	**50.6%**
EBOe & Subs	564	564	36,973	36,962	-358	335	335	1.5%	1.5%	63.6%	59.5%	59.5%
Savings Banks	1,245	1,243	52,878	52,871	-916	653	652	2.4%	2.4%	73.7%	52.5%	52.4%
Other Austria	419	411	16,676	16,625	-352	135	134	2.5%	2.5%	85.6%	32.1%	32.6%
CEE	**2,039**	**2,037**	**73,237**	**72,492**	**-2,315**	**734**	**732**	**2.8%**	**2.8%**	**113.6%**	**36.0%**	**35.9%**
Czech Republic	697	697	32,814	32,814	-791	182	182	2.1%	2.1%	113.4%	26.1%	26.1%
Romania	401	401	9,911	9,911	-525	117	117	4.0%	4.0%	130.8%	29.2%	29.2%
Slovakia	297	297	15,826	15,826	-347	147	147	1.9%	1.9%	117.0%	49.6%	49.6%
Hungary	156	154	5,270	4,525	-176	91	89	3.0%	3.4%	114.0%	58.0%	57.5%
Croatia	450	450	7,607	7,607	-429	190	190	5.9%	5.9%	95.3%	42.2%	42.2%
Serbia	38	38	1,809	1,809	-47	7	7	2.1%	2.1%	125.5%	18.1%	18.1%
Other	**17**	**14**	**84**	**82**	**-16**	**8**	**6**	**20.0%**	**17.5%**	**112.4%**	**48.0%**	**38.7%**
Total	**4,284**	**4,269**	**179,848**	**179,032**	**-3,957**	**1,865**	**1,858**	**2.4%**	**2.4%**	**92.7%**	**43.5%**	**43.5%**
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%
Romania	419	418	9,316	9,316	-512	154	154	4.5%	4.5%	122.5%	36.7%	36.7%
Slovakia	364	364	15,289	15,289	-391	145	145	2.4%	2.4%	107.4%	39.8%	39.8%
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	**4,533**	**4,518**	**170,021**	**169,333**	**-4,002**	**1,970**	**1,964**	**2.7%**	**2.7%**	**88.6%**	**43.5%**	**43.5%**

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

	Loans to customers				Allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Sep 21											
Austria	**83,140**	**21,077**	**2,192**	**50**	**-148**	**-533**	**-944**	**-1**	**2.5%**	**43.1%**	**1.3%**
EBOe & Subs	30,004	6,392	560	7	-32	-129	-198	0	2.0%	35.3%	0.0%
Savings Banks	41,630	9,977	1,220	44	-98	-277	-540	-1	2.8%	44.2%	1.5%
Other AT	11,506	4,708	411	0	-18	-127	-207	0	2.7%	50.3%	0.1%
CEE	**59,252**	**11,051**	**1,911**	**279**	**-228**	**-710**	**-1,289**	**-89**	**6.4%**	**67.5%**	**31.8%**
Czech Republic	27,621	4,491	650	52	-80	-256	-436	-19	5.7%	67.0%	37.0%
Romania	7,375	2,101	378	57	-45	-177	-288	-14	8.4%	76.3%	24.5%
Slovakia	13,084	2,384	292	67	-33	-118	-170	-25	5.0%	58.4%	38.2%
Hungary	3,438	883	125	79	-18	-66	-74	-18	7.5%	59.0%	22.6%
Croatia	6,157	997	431	22	-41	-78	-299	-12	7.8%	69.3%	53.6%
Serbia	1,577	195	36	2	-10	-14	-23	0	7.4%	63.0%	21.5%
Other	**51**	**14**	**17**	**0**	**-1**	**0**	**-15**	**0**	**0.5%**	**92.1%**	**0.0%**
Total	**142,442**	**32,142**	**4,119**	**329**	**-377**	**-1,242**	**-2,249**	**-89**	**3.9%**	**54.6%**	**27.1%**
Dec 20											
Austria	**78,106**	**20,748**	**2,341**	**71**	**-139**	**-514**	**-1,014**	**-4**	**2.5%**	**43.3%**	**5.3%**
EBOe & Subs	28,688	6,352	575	6	-31	-119	-217	0	1.9%	37.6%	0.1%
Savings Banks	38,616	10,355	1,363	49	-93	-287	-592	-4	2.8%	43.5%	7.6%
Other AT	10,803	4,041	403	16	-15	-107	-205	0	2.7%	50.8%	0.0%
CEE	**55,187**	**10,410**	**1,935**	**296**	**-219**	**-679**	**-1,297**	**-122**	**6.5%**	**67.0%**	**41.1%**
Czech Republic	24,980	3,958	611	47	-83	-232	-413	-22	5.9%	67.6%	46.1%
Romania	6,818	2,044	387	66	-38	-170	-287	-17	8.3%	74.3%	25.1%
Slovakia	12,514	2,390	301	84	-31	-128	-175	-57	5.4%	58.1%	68.5%
Hungary	3,354	820	124	76	-16	-59	-76	-16	7.2%	61.5%	21.2%
Croatia	5,973	1,028	489	22	-41	-76	-327	-9	7.4%	66.8%	43.5%
Serbia	1,548	171	23	2	-10	-13	-18	-1	7.8%	78.6%	35.5%
Other	**49**	**171**	**17**	**0**	**0**	**0**	**-16**	**0**	**0.1%**	**93.7%**	**0.0%**
Total	**133,343**	**31,329**	**4,293**	**368**	**-358**	**-1,193**	**-2,326**	**-125**	**3.8%**	**54.2%**	**34.1%**

Loans and advances to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Sep 21						
Austria	**99,351**	**0**	**2,286**	**2,814**	**2,075**	**106,527**
Erste Bank Oesterreich & Subsidiaries	35,853	0	986	71	63	36,973
Savings Banks	50,480	0	1,255	64	1,079	52,878
Other Austria	13,018	0	46	2,679	933	16,676
Central and Eastern Europe	**30,283**	**42,723**	**18**	**162**	**51**	**73,237**
Czech Republic	4,182	28,559	0	40	33	32,814
Romania	3,054	6,749	0	108	0	9,911
Slovakia	15,804	0	0	3	18	15,826
Hungary	1,293	3,971	1	4	0	5,270
Croatia	4,650	2,937	17	3	0	7,607
Serbia	1,300	506	0	3	0	1,809
Other	**29**	**46**	**4**	**5**	**0**	**84**
Total	**129,663**	**42,769**	**2,309**	**2,981**	**2,126**	**179,848**
Dec 20						
Austria	**93,915**	**0**	**2,672**	**2,518**	**2,272**	**101,376**
Erste Bank Oesterreich & Subsidiaries	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
Central and Eastern Europe	**29,657**	**38,515**	**22**	**154**	**56**	**68,404**
Czech Republic	4,069	25,446	0	41	40	29,597
Romania	3,108	6,130	0	78	0	9,316
Slovakia	15,269	0	0	3	16	15,289
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**	**2,328**	**170,021**

Market risk

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

in EUR million	Dec 20	Sep 21
Interest	3.4	4.7
Currency	1.6	1.3
Shares	1.4	1.8
Commodity	0.5	0.5
Volatility	0.5	0.9
Total	**3.5**	**4.7**

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

Liquidity risk

Taking into account the favourable liquidity position and the usage of the TLTRO III programme (Targeted Longer-Term Refinancing Operation) of the European Central Bank, Erste Group Bank AG has budgeted long term issuance for 2021 in the amount of EUR 2.8 billion. In the first nine months of the year, Erste Group issued about EUR 2.4 billion (net of EUR 17 million buybacks), including three senior preferred EUR benchmark transactions (one of them being Erste Group's inaugural sustainability bond). The liquidity situation remained stable also in the CEE entities and did not show any negative impacts due to the Covid-19 situation in the first nine months of 2021. On group level, Erste Group's total TLTRO participation amounted to EUR 21.0 billion.

Leverage ratio

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

As of 30 September 2021, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.2%, comfortably above the 3.0% minimum requirement defined in Article 92 Capital Requirements Regulation (CRR). Tier 1 capital amounted to EUR 20.5 billion at the reference date, while total leverage exposure stood at EUR 328.8 billion.

The calculation and disclosure of the leverage ratio are based on the European Commission's Delegated Regulation (EU) 2015/62 of 10 October 2014 and on the Regulation (EU) 2019/876 (CRR2) of the European Parliament and of the Council of 20 May 2019.

30. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 31.17% interest in Erste Group Bank AG. Privatstiftung is the largest single investor in Erste Group Bank AG. At the end of the reporting period, Erste Group had, in relation to Privatstiftung, accounts payable of EUR 16.8 million (EUR 10.7 million) and no accounts receivable. At the end of the reporting period, Privatstiftung held bonds issued by Erste Group Bank AG of EUR 0.2 million (EUR 7.2 million). In the reporting period interest expenses amounted to EUR 0.1 million (EUR 0.2 million), resulting from the above mentioned accounts payable.

31. Contingent liabilities – legal proceedings

There have not been any material changes since year-end 2020 in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank AG and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group.

32. Fair value of financial instruments

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. 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.

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

Financial instruments carried at fair value

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

Description of valuation models and parameters

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

Loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these loans corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including risk premium required for non-market risk based part of the interest rate to be compliant with fair value definition. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread. 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 relevered beta and the country risk premium. The relevered beta is derived from the industry classification which is published and maintained by Damodaran. In rare cases, techniques for non-trading equity instruments may also include models based on multiples. The comparable company multiple method is a valuation technique within the market approach that uses prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined 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.

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 benchmark reform it has been decided that the so far used EONIA (Euro Over Night Index Average) will be replaced by EURO-STR (Euro Short-Term Rate) with a transition phase until 31 December 2021. In Erste Group all contracts with CCP's (Central Counter Parties), LCH (London Clearing House) and EUREX have been converted in 2020 and for the respective collaterals EURO-STR is used as interest rate. Furthermore, the conversion for a significant part of unsecured derivatives was done in November 2020. The fair value of these derivatives is already determined using EURO-STR as discount rate. Furthermore, the conversion for the most part of unsecured derivatives was done in November 2020. The valuation difference resulting from the conversion has been offset by a compensation payment. The change for all bilateral contracts and CSA's (Credit Support Annex) is in process and will take place the same way as for CCP's contracts.

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 13.4 million (2020: EUR 17.6 million) and the total DVA-adjustment amounted to EUR 3.4 million (2020: EUR 3.1 million).

Validation and control

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

Fair value hierarchy

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

Level 1 of the fair value hierarchy

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

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

Leve 2 of the fair value hierarchy

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

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

Level 3 of the fair value hierarchy

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

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

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

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

	Dec 20				Sep 21			
in EUR million	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	2,566	3,357	320	6,244
Derivatives	4	2,875	75	2,954	8	2,226	36	2,269
Other financial assets held for trading	2,385	1,007	10	3,402	2,559	1,132	284	3,975
Non-trading financial assets - FVPL	1,805	232	1,046	3,083	1,692	240	1,174	3,105
Equity instruments	59	7	282	347	39	3	273	316
Debt securities	1,747	225	77	2,048	1,653	236	64	1,953
Loans and advances	0	0	687	687	0	0	836	836
Financial assets FVOCI	7,347	795	376	8,519	7,594	743	737	9,074
Hedge accounting derivatives	0	205	0	205	0	94	0	94
Total assets	**11,542**	**5,113**	**1,508**	**18,163**	**11,852**	**4,434**	**2,231**	**18,518**
Liabilities								
Financial liabilities HfT	500	2,123	2	2,625	734	1,457	2	2,193
Derivatives	3	2,032	2	2,037	4	1,357	2	1,364
Other financial liabilities held for trading	496	91	0	588	729	100	0	829
Financial liabilities - FVPL	347	11,408	336	12,091	347	9,699	234	10,281
Deposits from customers	0	254	0	254	0	130	0	130
Debt securities issued	347	11,154	155	11,657	347	9,568	55	9,971
Other financial liabilities	0	0	180	180	0	0	180	180
Hedge accounting derivatives	0	189	0	189	0	230	0	230
Total liabilities	**846**	**13,720**	**338**	**14,905**	**1,081**	**11,386**	**236**	**12,703**

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

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

Valuation process for financial instruments categorised as Level 3

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

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

	Dec 20		Sep 21	
in EUR million	Level 1	Level 2	Level 1	Level 2
Securities				
Net transfer from Level 1		-5		252
Net transfer from Level 2	5		-252	
Net transfer from Level 3	0	-7	-194	-131
Purchases/sales/expiries	-400	163	753	-39
Changes in derivatives	-2	230	3	-760
Total year-to-date change	**-397**	**381**	**310**	**-678**

Level 1-movements. The total amount of Level 1 financial assets increased by EUR 310 million compared to last year. The volume of Level 1 securities increased by EUR 307 million. The main changes are caused by matured or sold assets in the amount of EUR 3,031 million and by new investments in the amount of EUR 1,879 million. Furthermore, the increase in volume for securities that were allocated to Level 1 at both reporting dates (2021 and 2020) amounted to EUR 1,711 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 17 million have been reclassified from Level 2 to Level 1. This applied mainly to securities issued by governments (EUR 8 million), but also to securities issued by other corporates (EUR 5 million) and financial institutions (EUR 4 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 269 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 220 million), as well as securities issued by financial institutions (EUR 28 million) and securities issued by other corporates (EUR 21 million). Deteriorated availability of market-observable prices led to a reclassification of EUR 194 million from Level 1 to Level 3. The remaining positive change in the amount of EUR 194 million was due to partial sales and fair value changes of reclassified instruments. The volume of derivatives increased by EUR 3 million.

Level 2-movements: Financial Assets. The total value of Level 2 financial assets decreased between 2021 and 2020 by EUR 679 million. The Level 2 fair value change of securities and other receivables (in total up by EUR 81 million) can be explained for the most part by matured or sold positions in the amount of EUR 846 million and new investments in the amount of EUR 914 million. The decrease in volume for securities that have been allocated to Level 2 at both reporting dates 2021 and 2020 amounted to EUR 89 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 269 million was reclassified from Level 1 to Level 2 in 2020. This applies mainly to securities issued by governments (EUR 220 million) and securities issued by financial institutions (EUR 28 million) and securities issued by other corporates (EUR 21 million). Securities in the amount of EUR 17 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 143 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 12 million was reclassified from Level 3 to Level 2. The remaining negative change in the amount of EUR 19 million was due to partial sales and fair value changes of reclassified instruments. The decrease on the asset side derivatives in Level 2 by EUR 760 million are caused by changes in market values and by netting effects.

Level 2-movements: Financial Liabilities. The total Level 2 financial liabilities decreased by EUR 2,335 million. Whereas the fair value of derivatives decreased by EUR 634 million, the portfolio of securities decreased by EUR 1,577 million. The fair value of client deposits decreased by EUR 124 million.

Movements in Level 3 of financial instruments carried at fair value

Development of fair value of financial instruments in Level 3

in EUR million	Jan 21	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settle-ments	Additions to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	Sep 21
Assets												
Financial assets HfT	85	-16	0	225	-1	0	0	0	52	-24	0	320
Derivatives	75	-16	0	0	0	0	0	0	0	-24	0	36
Other financial assets held for trading	10	0	0	225	-1	0	0	0	52	0	0	284
Non-trading financial assets at FVPL	1,046	-10	0	237	-60	-41	0	0	9	-14	7	1,174
Equity instruments	282	-9	0	14	-14	0	0	0	5	-6	1	273
Debt securities	77	5	0	2	-15	-4	0	0	4	-6	1	64
Loans and advances	687	-6	0	221	-31	-37	0	0	0	-2	5	836
Financial assets FVOCI	376	-1	0	43	-20	-18	0	0	355	-2	4	737
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**1,508**	**-27**	**0**	**504**	**-81**	**-59**	**0**	**0**	**416**	**-39**	**10**	**2,231**
Liabilities												
Financial liabilities HfT	2	1	0	0	0	0	0	0	0	-2	0	2
Derivatives	2	1	0	0	0	0	0	0	0	-2	0	2
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	336	1	1	41	-41	-1	0	0	11	-113	0	234
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	155	0	1	0	0	0	0	0	11	-113	0	55
Other financial liabilities	180	1	0	41	-41	-1	0	0	0	0	0	180
Total liabilities	**338**	**2**	**1**	**41**	**-41**	**-1**	**0**	**0**	**11**	**-114**	**0**	**236**
	Jan 20											**Sep 20**
Assets												
Financial assets HfT	93	17	0	8	-1	-1	0	0	26	-1	-2	140
Derivatives	79	18	0	6	-1	-1	0	0	26	-1	-2	124
Other financial assets held for trading	14	-1	0	2	0	0	0	0	0	0	0	15
Non-trading financial assets at FVPL	922	3	0	344	-73	-49	0	0	2	-10	-52	1,087
Financial assets at FVOCI	457	2	0	92	-82	-12	0	0	11	-45	-3	418
Total assets	**1,473**	**21**	**0**	**444**	**-157**	**-62**	**0**	**0**	**38**	**-56**	**-57**	**1,645**
Liabilities												
Financial liabilities HfT	5	2	0	0	0	0	0	0	2	0	0	9
Derivatives	5	2	0	0	0	0	0	0	2	0	0	9
Other financial liabilities held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	308	3	-1	70	-70	-34	0	0	0	-72	0	205
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	89	1	-1	10	0	0	0	0	0	-72	0	27
Other financial liabilities	219	2	0	60	-70	-34	0	0	0	0	0	178
Total liabilities	**313**	**6**	**-1**	**70**	**-70**	**-34**	**0**	**0**	**2**	**-72**	**0**	**214**

Level 3-movements. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. Based on the described analysis securities in the amount of EUR 143 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by governments (EUR 97 million), securities issued by other corporates (EUR 47 million) and securities issued by financial institutions (EUR 4 million). On the other hand, securities that were on the balance at both reporting dates (2021 and 2020) were reclassified from Level 3 to Level 2 in the amount of EUR 12 million. Thereof, EUR 9 million are securities issued by financial institutions and EUR 3 million were issued by other corporates. Loans and advances which are measured at fair value under IFRS 9 increased by EUR 149 million, mainly by purchases. The additional change in Level 3 positions was on the one hand caused by a increase in derivative exposure of EUR 39 million and on the other hand by an increase caused by the purchase, sale and market value change of securities in the amount of EUR 288 million.

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

in EUR million	1-9 20	1-9 21
Assets		
Financial assets HfT	23.5	-15.9
Derivatives	24.5	-15.5
Other financial assets held for trading	-1.0	-0.4
Non-trading financial assets at FVPL	-1.0	-11.4
Equity instruments	6.5	-8.8
Debt securities	9.7	3.3
Loans and advances	-17.2	-5.9
Financial assets at FVOCI	1.6	-2.6
Hedge accounting derivatives	-0.7	0.0
Total	**23.5**	**-29.9**

For financial liabilities designated at FVPL in Level 3 a valuation of EUR -1.6 million was posted via income statement for the end of the reporting period (2020: EUR -5.6 million).

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

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

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Sep 21					
Positive fair value of derivatives	Forwards, swaps, options	73.0	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.45%-100% (5.03%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	4.5	Discounted cash flow	Credit Spread	0.77%-6.10% (1.71%)
	Loans	836.2	Discounted cash flow	PD	1.24%-7.30% (2.68%)
				LGD	0%-49.34% (29.20%)
Financial assets at FVOCI	Fixed and variable coupon bonds	473.8	Discounted cash flow	Credit Spread	0.14%-6.52% (0,84%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	226.7	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) 0.91-1.00 Banks (Regional) 0.57; Health Resort & Gesundheitszentrum GmbH 0.74
				Country risk premium	Croatia 2.21%, Austria 0.35%-0.47% Czech Republic 0.53% Romania 1.95%, Russia 1.95%, Slovakia 0.75%, Hungary 1.95% Resulting cost of equity based on above inputs: 5.48%-12.33%
		139.1	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.

Dez 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	1,16%-6,10% (2,38%)
				LGD	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 0.35%-0.5% 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 20.2 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 53.2 million (2020: EUR 49.9 million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Fair value changes per product type using reasonably possible alternatives

	Dec 20		Sep 21	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	2.4	-2.3	3.1	-4.3
Income statement	2.4	-2.3	3.1	-4.3
Debt securities	11.7	-15.6	27.0	-36.0
Income statement	2.1	-2.8	4.3	-5.7
Other comprehensive income	9.6	-12.8	22.7	-30.3
Equity instruments	113.0	-73.4	97.6	-65.7
Income statement	73.1	-49.9	58.3	-43.3
Other comprehensive income	39.9	-23.5	39.3	-22.4
Loans	16.7	-35.4	18.4	-46.8
Income statement	16.7	-35.4	18.4	-46.8
Total	**143.8**	**-126.7**	**146.1**	**-152.8**
Income statement	**94.3**	**-90.4**	**84.1**	**-100.1**
Other comprehensive income	**49.5**	**-36.3**	**62.0**	**-52.7**

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

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

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

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

	Dec 20		Sep 21	
in EUR million	Carrying amount (balance sheet)	Fair value	Carrying amount (balance sheet)	Fair value
Assets				
Cash and cash balances	35,839	35,839	47,125	47,125
Financial assets at AC	210,940	218,023	230,488	235,557
Loans and advances to banks	21,466	21,502	27,728	28,972
Loans and advances to customers	159,895	165,257	169,109	172,412
Debt securities	29,579	31,264	33,651	34,173
Finance lease receivables	4,127	4,124	4,208	4,209
Assets held for sale	4	4	4	4
Trade and other receivables	1,341	1,338	1,797	1,790
Liabilities				
Financial liabilities at AC	235,125	235,688	267,069	267,359
Deposits from banks	24,771	24,763	35,387	35,463
Deposits from customers	190,816	191,098	207,376	207,362
Debt securities issued	19,020	19,309	23,534	23,761
Other financial liabilities	518	518	772	772
Financial guarantees and commitments				
Financial guarantees	n/a	5	n/a	-18
Irrevocable commitments	n/a	895	n/a	256

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.

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

	1-9 20	1-9 21
Austria	**16,203**	**15,903**
Erste Group Bank AG, EB Oesterreich and subsidiaries	9,124	8,814
Haftungsverbund savings banks	7,079	7,089
Outside Austria	**31,188**	**29,345**
Česká spořitelna Group	9,892	9,740
Banca Comercială Română Group	6,777	5,517
Slovenská sporiteľňa Group	3,982	3,719
Erste Bank Hungary Group	3,213	3,209
Erste Bank Croatia Group	3,310	3,291
Erste Bank Serbia Group	1,166	1,205
Savings banks subsidiaries	1,620	1,459
Other subsidiaries and foreign branch offices	1,228	1,204
Total	**47,391**	**45,248**

34. 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 Directive (CRR, Regulation (EU) No. 575/2013) and the Capital Requirements Directive (CRD IV, Directive (EU) 2013/36/EU) [1]. Both the CRD IV and CRD V[2] were transposed into national law in the Austrian Banking Act (ABA).

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, investment firms, financial institutions and ancillary service undertakings. 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.

The Austrian savings banks are included as subsidiaries in Erste Group's regulatory scope of consolidation based on the cross-guarantee contract of the Haftungsverbund. Furthermore, Erste Group Bank AG together with the savings banks forms an institutional protection scheme (IPS) according to Art. 113 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.

Accounting Principles

The financial and regulatory figures published by Erste Group are based on IFRS.

Consolidated own funds

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

The regulatory minimum capital ratios including the capital buffers as of 30 September 2021 amount to

- 9.17% for CET1(4.5% CET1, combined buffer requirement (CBR): +2.5% capital conservation buffer, +1.0% systemic risk buffer, +1.0% O-SII buffer and +0.17% countercyclical capital buffer),
- 10.67% for tier 1 capital (sum of CET1 and AT1) and
- 12.67% for total own funds.

[1] 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).

[2] CRDV has been transposed by an amendment of the BWG (BGBl I 2021/98; BWG-Novelle) which entered into force on 31 May 2021.

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). The ECB Banking Supervision adjusted the SREP approach for 2020 in light of the Covid-19 crisis. Therefore the ECB has not issued a SREP decision 2020, but rather chose a pragmatic SREP 2020 approach keeping the SREP 2019 decision in place and confirming a Pillar 2 requirement (P2R) of 1.75%.

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 30 September 2021.

The regulatory minimum capital ratios including the capital buffers and SREP requirements as of 30 June 2021 amount to

- a CET1 requirement of 10.15%,
  (Pillar 1 requirement of 4.5%, combined capital buffers of 4.67% and 56.25% of 1.75% Pillar 2 requirement)
- a T1 requirement of 11.98%
  (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 14.42%
  (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 2020[3] and 1 July, 2021[4] 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	Sep 21
Pillar 1		
Minimum CET1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirements	8.00%	8.00%
Combined buffer requirement (CBR)	**4.68%**	**4.67%**
Capital conservation buffer	2.50%	2.50%
Institution-specific countercyclical capital buffer	0.18%	0.17%
Systemic risk buffer (SRB)	2.00%	1.00%
O-SII capital buffer	2.00%	1.00%
Minimum CET 1 requirement (incl. CBR)	9.18%	9.17%
Minimum Tier 1 requirement (incl. CBR)	10.68%	10.67%
Minimum Own Funds requirement (incl. CBR)	12.68%	12.67%
Pillar2		
Minimum CET1 requirement	0.98%	0.98%
Minimum T1 requirement	1.31%	1.31%
Minimum Own Funds requirement	1.75%	1.75%
Pillar 2 requirement (P2R)	1.75%	1.75%
Total CET1 requirement for Pillar 1 and Pillar 2	**10.16%**	**10.15%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**11.99%**	**11.98%**
Total Own Funds requirement for Pillar 1 and Pillar 2	**14.43%**	**14.42%**

The combined buffer requirement consist 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 as well on the release on 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

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

[4] https://www.bankingsupervision.europa.eu/press/speeches/date/2021/html/ssm.sp210701~3f0230c51f.en.html

Asked Questions - FAQs"[5] 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 7.65%, its T1 requirement amounts to 9.48% and its total own funds requirement amounts to 11.92%.

Capital structure

	Dec 20		Sep 21	
in EUR million	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	12,971	12,971
Interim profit	0	0	565	565
Accumulated other comprehensive income	-1,690	-1,690	-1,685	-1,685
Minority interest recognised in CET1	4,891	4,891	4,985	4,985
Common equity tier 1 capital (CET1) before regulatory adjustments	**18,540**	**18,540**	**19,173**	**19,173**
Own CET1 instruments	-63	-63	-106	-106
Prudential filter: cash flow hedge reserve	-36	-36	105	105
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	289	289	249	249
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-3	-3	-3	-3
Value adjustments due to the requirements for prudent valuation	-58	-58	-71	-71
Securitisations with a risk weight of 1,250%	-29	-29	-29	-29
Goodwill	-544	-544	-544	-544
Other intangible assets	-720	-720	-377	-377
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	-48	-48	-42	-42
IRB shortfall of credit risk adjustments to expected losses	0	0	0	0
CET1 capital elements or deductions – other	-270	-270	-101	-101
Common equity tier 1 capital (CET1)	**17,057**	**17,057**	**18,254**	**18,254**
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1	2,733	2,733	2,732	2,732
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**	**2,738**	**2,738**
Own AT1 instruments	-2	-2	-498	-498
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**	**2,240**	**2,240**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**19,795**	**19,795**	**20,494**	**20,494**
Tier 2 capital (T2)				
Capital instruments and subordinated loans eligible as T2	3,222	3,222	2,704	2,704
Instruments issued by subsidiaries recognised in T2	209	209	191	191
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	0	0	71	0
IRB excess of provisions over expected losses eligible	467	467	522	522
Tier 2 capital (T2) before regulatory adjustments	**3,898**	**3,898**	**3,489**	**3,417**
Own T2 instruments	-50	-50	-50	-50
Standardised approach general credit risk adjustments	0	0	0	0
Tier 2 capital (T2)	**3,848**	**3,848**	**3,438**	**3,367**
Total own funds	**23,643**	**23,643**	**23,932**	**23,861**
Capital requirement	**9,440**	**9,612**	**10,105**	**10,279**
CET1 capital ratio	**14.5%**	**14.2%**	**14.5%**	**14.2%**
Tier 1 capital ratio	**16.8%**	**16.5%**	**16.2%**	**16.0%**
Total capital ratio	**20.0%**	**19.7%**	**18.9%**	**18.6%**

The position CET1 elements or deduction – Others include the development of unaudited risk provisions during the year (EU No 183/2014) and the 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.

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

The capital structure table above is based on the Commission Implementing Regulation (EU) 2021/637 with regard to disclosure of own funds requirements. Positions, which are not relevant for Erste Group are not disclosed. Figures shown under full implementation of Basel 3 considered the current CRR.

Starting with the third quarter 2021, Erste Group makes use of the prudential treatment of software assets. This has a positive effect on the regulatory capital as the difference between the lower prudential and the regular accounting amortization can be excluded from the deduction in CET1 capital. The difference is subject to a lower risk weight compared to the full CET1 capital deduction and slightly increases the RWAs and the capital requirement.

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 increase in the RWAs. Following the application from February 2019, Erste Group Bank AG 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 done in 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. 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 2 limitations, which impose an add-on to be added to the PD estimates of the model, the implementation of this model change will lead to a slight decrease of RWAs.

Following the finalization of the horizontal analysis of ECB, a new decision complementing the initial TRIM (Targeted Review of Internal Models) Market risk decision from October 2018 has been issued in February 2021. This follow-up decision required the implementation of multiplicator factors, which led to an immaterial increase of the RWAs for market risk as of 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 700 million on Erste Group's consolidated level.

Risk structure

	Dec 20		Sep 21	
in EUR million	Total risk (phased-in)	Capital requirement (phased-in)	Total risk (phased-in)	Capital requirement (phased-in)
Total risk exposure amount	118,005	9,440	126,312	10,105
Risk-weighted assets (credit risk)	95,923	7,674	105,074	8,406
Standardised approach	18,056	1,444	18,671	1,494
IRB approach	77,852	6,228	86,396	6,912
Contribution to the default fund of a CCP	15	0	7	0
Settlement risk	1	0	0	0
Trading book, foreign FX risk and commodity risk	3,630	290	4,082	327
Operational risk	14,813	1,185	14,177	1,134
Exposure for CVA	397	32	308	25
Other exposure amounts (including Basel 1 floor)	3,241	259	2,670	214

	Dec 20		Sep 21	
in EUR million	Total risk (final)	Capital requirement (final)	Total risk (final)	Capital requirement (final)
Total risk exposure amount	120,151	9,612	128,484	10,279
Risk-weighted assets (credit risk)	98,069	7,846	107,246	8,580
Standardised approach	18,065	1,445	19,595	1,568
IRB approach	79,988	6,399	87,644	7,011
Contribution to the default fund of a CCP	15	0	7	0
Settlement risk	1	0	0	0
Trading book, foreign FX risk and commodity risk	3,630	290	4,082	327
Operational risk	14,813	1,185	14,177	1,134
Exposure for CVA	397	32	308	25
Other exposure amounts (including Basel 1 floor)	3,241	259	2,670	214

35. Events after the reporting date

There are no significant events after the balance sheet date.

Abbreviations

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

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

Note regarding forward-looking statements

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

Shareholder Events

25 November 2021	Extraordinary general meeting
28 February 2022	Full-year preliminary results 2021
25 March 2022	Annual financial report 2021
29 April 2022	Results for the first quarter of 2022
18 May 2022	Annual general meeting
1 August 2022	Half year financial report 2022
4 November 2022	Results for the first three quarters of 2022

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

www.erstegroup.com/investors

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