

Group Consolidated Financial Statements 2022 (IFRS)

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Consolidated statement of income

in EUR million	Notes	1-12 21	1-12 22
Net interest income	2	4,975.7	5,950.6
Interest income	2	5,108.9	8,622.7
Other similar income	2	1,476.5	2,617.6
Interest expenses	2	-483.8	-2,569.2
Other similar expenses	2	-1,125.9	-2,720.5
Net fee and commission income	3	2,303.7	2,452.4
Fee and commission income	3	2,722.1	2,888.7
Fee and commission expenses	3	-418.5	-436.3
Dividend income	4	33.2	29.1
Net trading result	5	58.6	-778.6
Gains/losses from financial instruments measured at fair value through profit or loss	6	173.2	731.3
Net result from equity method investments		15.4	18.0
Rental income from investment properties & other operating leases	7	182.3	167.8
Personnel expenses	8	-2,578.1	-2,668.0
Other administrative expenses	8	-1,180.3	-1,356.2
Depreciation and amortisation	8	-548.0	-550.7
Gains/losses from derecognition of financial assets measured at amortised cost	9	-7.6	-52.0
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	10	-25.2	-23.3
Impairment result from financial instruments	11	-158.8	-299.5
Other operating result	12	-310.5	-398.5
Levies on banking activities	12	-73.5	-187.1
Pre-tax result from continuing operations		2,933.4	3,222.4
Taxes on income	13	-525.2	-556.1
Net result for the period		2,408.1	2,666.3
Net result attributable to non-controlling interests		484.8	501.6
Net result attributable to owners of the parent		1,923.4	2,164.7

Earnings per share

Earnings per share constitute net profit/loss for the year attributable to owners of the parent divided by the average number of ordinary shares outstanding. Diluted earnings per share represent the maximum potential dilution (through an increase in the average number of shares) that would occur if all subscription and conversion rights granted were exercised (also see Note 56 Total equity). The difference between the weighted average number of outstanding shares and the weighted average diluted number of outstanding shares results from share-based payment transactions with employees. For information on share-based payments please refer to Note 62.

		1-12 21	1-12 22
Net result attributable to owners of the parent	in EUR thousand	1,923,380	2,164,718
Dividend on AT1 capital	in EUR thousand	-147,807	-100,456
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	1,775,573	2,064,261
Weighted average undiluted number of outstanding shares		426,246,662	427,019,261
Earnings per share	in EUR	4.17	4.83
Weighted average diluted number of outstanding shares		426,246,662	427,492,890
Diluted earnings per share	in EUR	4.17	4.83

Consolidated statement of comprehensive income

in EUR million	1-12 21	1-12 22
Net result for the period	2,408.1	2,666.3
Other comprehensive income		
Items that may not be reclassified to profit or loss	116.1	240.2
Remeasurement of defined benefit plans	28.6	99.3
Fair value reserve of equity instruments	20.4	-33.1
Own credit risk reserve	82.3	239.3
Income tax relating to items that may not be reclassified	-15.3	-65.3
Items that may be reclassified to profit or loss	-122.2	-359.5
Fair value reserve of debt instruments	-188.3	-560.4
Gains/losses during the period	-191.2	-586.2
Reclassification adjustments	4.8	24.7
Credit loss allowances	-1.9	1.0
Cash flow hedge reserve	-298.4	9.9
Gains/losses during the period	-295.3	63.3
Reclassification adjustments	-3.1	-53.4
Currency reserve	271.0	79.0
Gains/losses during the period	271.0	79.0
Income tax relating to items that may be reclassified	93.5	112.5
Gains/losses during the period	94.2	107.2
Reclassification adjustments	-0.6	5.2
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	-0.4
Total other comprehensive income	-6.1	-119.3
Total comprehensive income	2,402.0	2,547.0
Total comprehensive income attributable to non-controlling interests	475.9	426.7
Total comprehensive income attributable to owners of the parent	1,926.1	2,120.3

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

Consolidated balance sheet

in EUR million	Notes	Dec 21	Dec 22
Assets			
Cash and cash balances	15	45,495.4	35,684.8
Financial assets held for trading	21, 22	6,473.0	7,765.6
Derivatives	21	2,263.4	1,718.7
Other financial assets held for trading	22	4,209.6	6,046.9
Pledged as collateral	29	372.7	94.4
Non-trading financial assets at fair value through profit or loss	23	3,124.4	2,735.3
Pledged as collateral	29	0.0	0.0
Equity instruments	23	331.9	346.6
Debt securities	23	1,974.7	1,549.3
Loans and advances to banks	23	9.9	0.0
Loans and advances to customers	23	808.0	839.3
Financial assets at fair value through other comprehensive income	19, 20	8,881.2	9,559.5
Pledged as collateral	29	130.2	698.5
Equity instruments	20	132.4	99.2
Debt securities	21	8,748.8	9,460.4
Financial assets at amortised cost	16	229,641.2	253,360.0
Pledged as collateral	29	1,232.4	1,760.9
Debt securities	16	35,550.8	40,611.7
Loans and advances to banks	16	20,991.4	18,435.5
Loans and advances to customers	16	173,099.1	194,312.8
Finance lease receivables	51	4,208.5	4,552.9
Hedge accounting derivatives	27	78.6	158.7
Fair value changes of hedged items in portfolio hedge of interest rate risk	27	-3.9	-37.8
Property and equipment	48	2,645.2	2,618.0
Investment properties	48	1,344.2	1,372.2
Intangible assets	49	1,362.3	1,347.1
Investments in associates and joint ventures	59	210.9	208.6
Current tax assets	13	135.1	108.9
Deferred tax assets	13	562.1	628.7
Assets held for sale	64	73.0	167.2
Trade and other receivables	17	2,152.5	2,403.7
Other assets	50	1,044.6	1,231.6
Total assets		307,428.2	323,865.0
Liabilities and equity			
Financial liabilities held for trading	21, 24	2,473.7	3,263.7
Derivatives	21	1,623.8	2,626.5
Other financial liabilities held for trading	24	849.9	637.2
Financial liabilities at fair value through profit or loss	25	10,464.1	10,814.5
Deposits from customers	25	494.7	1,352.8
Debt securities issued	25	9,778.4	9,310.4
Other financial liabilities	25	190.9	151.2
Financial liabilities at amortised cost	18	265,415.5	278,932.5
Deposits from banks	18	31,885.6	28,820.8
Deposits from customers	18	210,028.7	222,619.7
Debt securities issued	18	22,351.7	26,593.4
Other financial liabilities		1,149.4	898.5
Lease liabilities	52	588.1	662.1
Hedge accounting derivatives	27	309.4	372.5
Provisions	54	1,985.9	1,676.0
Current tax liabilities	13	143.6	127.3
Deferred tax liabilities	13	18.7	15.6
Liabilities associated with assets held for sale	64	0.0	114.9
Other liabilities	53	2,515.9	2,581.3
Total equity	56	23,513.4	25,304.7
Equity attributable to non-controlling interests	56	5,516.0	5,957.1
Additional equity instruments	56	2,236.2	2,236.2
Equity attributable to owners of the parent	56	15,761.2	17,111.4
Subscribed capital	56	859.6	859.6
Additional paid-in capital	56	1,477.7	1,477.7
Retained earnings and other reserves	56	13,423.9	14,774.1
Total liabilities and equity		307,428.2	323,865.0

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	Remeasur- ement 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 2022	859.6	1,477.7	14,932.5	-205.6	114.8	-207.3	-672.5	-538.1	15,761.2	2,236.2	5,516.0	23,513.4
Changes in treasury shares	0.0	0.0	11.0	0.0	0.0	0.0	0.0	0.0	11.0	0.0	0.0	11.0
Dividends paid	0.0	0.0	-753.6	0.0	0.0	0.0	0.0	0.0	-753.6	0.0	-90.7	-844.2
Capital increase/decrease	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.0	-2.0
Changes in scope of consolidation and ownership interest	0.0	0.0	-24.0	0.0	0.0	0.0	0.0	0.0	-24.0	0.0	113.7	89.8
Reclassification from other comprehensive income to retained earnings	0.0	0.0	-5.1	0.0	0.1	3.4	0.0	0.0	-1.6	0.0	-7.1	-8.7
Share based payments	0.0	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	-1.3	0.0	0.0	-1.3
Other changes	0.0	0.0	-0.6	0.0	0.0	0.0	0.0	0.0	-0.6	0.0	0.5	-0.2
Total comprehensive income	0.0	0.0	2,164.7	9.0	-379.0	180.0	78.9	66.8	2,120.3	0.0	426.7	2,547.0
Net result for the period	0.0	0.0	2,164.7	0.0	0.0	0.0	0.0	0.0	2,164.7	0.0	501.6	2,666.3
Other comprehensive income	0.0	0.0	0.0	9.0	-379.0	180.0	78.9	66.8	-44.4	0.0	-74.9	-119.3
Change from remeasurement of defined benefit plans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	66.8	66.8	0.0	15.6	82.4
Change in fair value reserve	0.0	0.0	0.0	0.0	-379.0	0.0	0.0	0.0	-379.0	0.0	-93.1	-472.1
Change in cash flow hedge reserve	0.0	0.0	0.0	9.0	0.0	0.0	0.0	0.0	9.0	0.0	0.0	8.9
Change in currency reserve	0.0	0.0	0.0	0.0	0.0	0.0	78.9	0.0	78.9	0.0	0.1	79.0
Change in own credit risk reserve	0.0	0.0	0.0	0.0	0.0	180.0	0.0	0.0	180.0	0.0	2.5	182.4
As of 31 December 2022	859.6	1,477.7	16,323.7	-196.6	-264.1	-23.9	-593.6	-471.4	17,111.4	2,236.2	5,957.1	25,304.7

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

Consolidated statement of cash flows

in EUR million	Notes	1-12 21	1-12 22
Net result for the period		2,408.1	2,666.3
Non-cash adjustments for items in net profit/loss for the year			
Depreciation, amortisation and net impairment of non-financial assets	48, 49	606.6	593.8
Net allocation of credit loss allowances and other provisions	12	219.7	323.6
Gains/losses from measurement and derecognition of financial assets and financial liabilities	9, 10	210.6	533.1
Other adjustments		83.1	105.1
Changes in assets and liabilities from operating activities after adjustment for non-cash components			
Financial assets held for trading	21, 22	-120.2	-1,336.0
Non-trading financial assets at fair value through profit or loss	23		
Equity instruments	23	15.4	-14.8
Debt securities	23	75.0	285.3
Loans and advances to banks	23	-9.9	9.9
Loans and advances to customers	23	-154.5	-77.6
Financial assets at fair value through other comprehensive income: debt securities	19	-476.2	-1,115.9
Financial assets at amortised cost	16		
Debt securities	16	-5,977.9	-4,991.7
Loans and advances to banks	16	501.4	2,581.9
Loans and advances to customers	16	-13,336.3	-21,214.3
Finance lease receivables	51	-70.1	-325.9
Hedge accounting derivatives	27	-114.9	-71.2
Other assets from operating activities	17, 50	-1,025.5	-580.3
Financial liabilities held for trading	21, 24	-537.3	-416.3
Financial liabilities at fair value through profit or loss	25	-1,341.2	1,470.0
Financial liabilities measured at amortised cost	18		
Deposits from banks	18	7,114.3	-3,097.6
Deposits from customers	18	19,170.0	11,977.6
Debt securities issued	18	3,331.9	4,241.7
Other financial liabilities		631.6	-250.9
Hedge accounting derivatives	27	120.7	63.1
Other liabilities from operating activities	53	78.9	-174.4
Cash flow from operating activities		11,403.7	-8,815.4
Proceeds of disposal			
Financial assets at fair value through other comprehensive income: equity instruments	20	2.5	18.7
Investments in associates and joint ventures	59	-21.4	17.9
Property and equipment and intangible assets	48, 49	97.2	151.7
Investment properties	48	56.5	56.5
Acquisition of			
Financial assets at fair value through other comprehensive income: equity instruments	20	0.0	-0.7
Property and equipment and intangible assets	48, 49	-548.0	-478.6
Investment properties	48	-63.0	-100.7
Acquisition of subsidiaries (net of cash and cash equivalents acquired)		-7.2	102.1
Cash flow from investing activities		-483.4	-233.1
Capital increase	56	1.4	-2.0
Capital decrease	56	-496.8	0.0
Changes in ownership interests that do not result in a loss of control	56	-15.6	89.8
Dividends paid to equity holders of the parent	56	-756.0	-753.6
Dividends paid to non-controlling interests	56	-40.0	-90.7
Cash flow from financing activities		-1,306.9	-756.5
Cash and cash equivalents at the beginning of the period	15	35,838.5	45,495.4
Cash flow from operating activities		11,403.7	-8,815.4
Cash flow from investing activities		-483.4	-233.1
Cash flow from financing activities		-1,306.9	-756.5
Effect of currency translation		43.4	-5.7
Cash and cash equivalents at the end of period	15	45,495.4	35,684.8
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)		4,055.5	5,217.5
Payments for taxes on income	13	-391.1	-548.5
Interest received	2	6,899.9	11,286.0
Dividends received	4	33.2	29.1
Interest paid	2	-2,486.5	-5,549.1

Cash and cash equivalents are equal to the amount in the balance sheet line item 'Cash and cash balances'.

Notes to the group financial statements of Erste Group

General information

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

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

These consolidated financial statements have been prepared and authorised for issue by the management board as at the signing date of this report. Both, the supervisory board (23 March 2023) and the annual general meeting (12 May 2023) may amend the individual financial statements of Erste Group Bank AG, which in turn may have an impact on these consolidated financial statements. The consolidated financial statements have not been accepted by the supervisory board and the financial statements of Erste Group Bank AG have not been approved by the supervisory board at the date of this report. This is also applicable to the majority of the individual financial statements, which are relevant for the calculation of own funds.

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

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

Significant accounting policies

a) Basis of preparation

The consolidated financial statements of Erste Group for the financial year ending on 31 December 2022 and the related comparative information were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. The requirements of Section 59a of the Austrian Banking Act and Section 245a of the Austrian Commercial Code are fulfilled.

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

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

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

b) Foreign currency translation

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

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

i. Transactions and balances in foreign currency

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

ii. Translation of the statements of Group companies

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

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

c) Significant accounting judgements, assumptions and estimates

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

- Taxes on income and deferred tax assets (Note 13 Taxes on income)
- SPPI assessment of financial instruments (Chapter Financial instruments – Significant accounting policies)
- Business model assessment of financial instruments (Chapter Financial instruments – Significant accounting policies)
- Financial liabilities stemming from the TLTRO programme of the ECB (Chapter Financial instruments – Significant accounting policies, Note 18 Financial liabilities at amortised cost)
- Fair value of financial instruments (Note 26 Fair value of financial instruments)
- Impairment of financial instruments (Chapter Financial instruments – Significant accounting policies, Note 37 Measurement of expected credit losses and Note 40 Scenarios used in forward looking information and crises effects)
- Impairment of non-financial assets (Chapter Non-current assets and other investments)
- Provisions (Note 54 Provisions)
- Defined employees benefit plans (Note 54 Provisions)
- Control of subsidiaries (Note 58 Subsidiaries)
- Significant influence in associates and joint control in joint ventures (Note 59 Investments in associates and joint ventures)
- Interest in structured entities (Note 60 Unconsolidated structured entities)

In 2022 the war in Ukraine, the energy crisis, inflation and interest rates developments brought additional uncertainties for Erste Group's financial performance and position. In 2021 such additional uncertainties resulted from the Covid-19 pandemic. The potential effects include significant impacts on expected credit losses, on operating income as well as potential impacts on goodwill and other non-financial assets impairment assessments. Erste Group follows the developments closely and recognises the effects in the financial statements as a reasonable information supporting their recognition is available.

The impairment loss in the line item 'Impairment result from financial instruments' in the amount of EUR 299.5 million was affected by a release of impairment in the amount of EUR 183.5 million which is directly attributable to full release of the Covid-19 pandemic overlays due to diminishing of those risks during 2022. The impairment loss directly attributable to the changing macro environment and overlays reflecting additional risk in relation with current geopolitical situation – mainly the war in Ukraine and its effects on economy – amounted to EUR 377.7 million. In 2021, changes in macro environment and management actions to identify mostly affected portfolios due to Covid-19 pandemic resulted in an impairment release of EUR 39.1 million. Overall, the incremental loss allowances in the balance sheet for performing credit risk exposures which are attributable to the macro-environment and geopolitical development amount to EUR 927.8 million in 2022 (EUR 733.6 million in 2021). Details about these impacts on the expected credit losses estimation are described in Note 40 Scenarios used in forward looking information and crises effects.

The market capitalisation of Erste Group at year-end 2022 was below the carrying amount of the net assets. Therefore, a thorough analysis was performed to ensure the recoverability of the non-financial assets. In the course of this analysis the group has estimated the value in use on the level of the cash-generating units (CGUs). The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculation of the discount rate. The values used to establish the discount rates are determined using external sources of information. The cash flow projection period is five years. Beyond this planning horizon the cash flows are extrapolated to perpetuity based on a terminal growth rate. For those CGUs for which the carrying amount was higher than the value in use, the fair values of the underlying non-financial assets were derived and compared with the respective book values. This analysis did not reveal any need for impairment in addition to the amounts recognised as part of the standard impairment assessment (see Note 48 Property, equipment and investment properties, Note 49 Intangible assets and note 59 Investments in associates and joint ventures).

Further, the annual impairment test on the goodwill of Česká spořitelna a.s. did not result in an impairment loss booking as the calculated recoverable amount exceeds the carrying amount. Details on the goodwill impairment test are described in Note 49 Intangible assets.

d) Application of amended and new IFRS/IAS

The accounting policies adopted are consistent with those used in the previous financial year except for standards and interpretations that became effective for financial years beginning after 1 January 2022. As regards new standards and interpretations and their amendments, only those that are relevant for the business of Erste Group are listed below.

Effective standards and interpretations

The following amendments of standards have become mandatory for the financial year 2022 and have been endorsed by the EU:

- _ Annual Improvements to IFRSs 2018-2020 Cycle (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

Application of the above mentioned amendments in 2022 did not have a significant impact on Erste Group's financial statements.

Standards and interpretations not yet effective

The standards and amendments shown below were issued by the IASB but are not yet effective. All of them are endorsed by the EU:

- _ IFRS 17: Insurance contracts
- _ Amendments to IAS 1: Disclosure of Accounting Policies
- _ Amendments to IAS 8: Definition of Accounting Estimates
- _ Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

IFRS 17: Insurance contracts. IFRS 17 was issued in May 2017 and is effective for annual periods beginning on or after 1 January 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. Application of these amendments is not expected to have a significant impact on Erste Group's financial statements.

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

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

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

Performance / Return

1. Segment reporting

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

Geographical segmentation (operating segments)

For the purpose of segment reporting geographical segments are defined as operating segments, for which the information is presented on the basis of the booking entity's location (not the country of risk). In case of information regarding a partial group, the allocation is based on the location of the respective parent entity according to the local management responsibility.

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

Erste Group – geographical segmentation - operating segments								
Austria			Central and Eastern Europe					Other
EBOe & Subsidiaries	Savings Banks	Other Austria	Czech Republic	Slovakia	Romania	Hungary	Croatia	Serbia

The geographical area Austria consists of the following three operating segments:

- The **Erste Bank Oesterreich & Subsidiaries** (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).
- The **Savings banks** segment includes those savings banks which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings banks sector and in which Erste Group does not hold a majority stake but which are fully controlled according to IFRS 10. The fully or majority owned Erste Bank Oesterreich, Tiroler Sparkasse, Salzburger Sparkasse, and Sparkasse Hainburg are not part of the Savings Banks segment.
- The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Corporates and Group Markets business, Erste Group Immorent GmbH, Erste Asset Management GmbH and Intermarket Bank AG.

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

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

The residual segment **Other** covers mainly centrally managed activities and items that are not directly allocated to other segments. It comprises the corporate center of Erste Group Bank AG (and thus dividends and the refinancing costs from participations, general administrative expenses), internal service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments). Asset/Liability Management of Erste Group Bank AG as well as the reconciliation to the consolidated accounting result (e.g. intragroup eliminations, dividend eliminations) are also part of the segment Other. Intragroup eliminations are equal to the Intragroup eliminations shown in the business segmentation view (see the table 'Business segments (2)').

Business segmentation

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



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

Corporates. The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises and Large Corporate customers) as well as commercial real estate and public sector business.

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

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

Savings Banks. The Savings Banks segment is identical to the operating segment Savings banks.

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

Intragroup Elimination. Intragroup Elimination (IC) is not defined as a segment but is the reconciliation to the consolidated accounting result. It includes intragroup eliminations between participations of Erste Group (e.g. intragroup funding, internal cost charges). Intragroup eliminations within partial groups are disclosed in the respective segments. Dividend elimination between Erste Group Bank AG and its fully consolidated subsidiaries is performed in Group Corporate Center. Consolidation differences arising between the segments, which are eliminated over the lifespan of the underlying transaction, are part of Group Corporate Center.

Measurement

The profit and loss statement of the segment report is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segments and assessing their performance. Management reporting as well as the segment report of Erste Group are based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statements of accounting. Interest revenues are not reported separately from interest expenses for each reportable segment. Those measures are reported on the net basis within the position 'Net interest income' as interest revenues and interest expenses are neither included into the measure of segment profit or loss reviewed by the chief operating decision maker nor otherwise regularly provided to the chief operating decision maker. Chief operating decision maker relies solely on net interest income to assess the performance of the segments and make decisions about resources to be allocated to the segments. Net fee and commission income and Other operating result are reported on a net basis according to the regular reporting to the chief operating decision maker. Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated capital is determined by the credit risk, market risk, operational risk and business strategic risk. According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. Total average allocated capital for the Group equals average total equity of the Group. For measuring and assessing the profitability of segments within Erste Group, such key measures as return on allocated capital and cost/income ratio are used. Return on allocated capital is defined as net result for the period before minorities in relation to the average allocated capital of the respective segment. Cost/income ratio is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties and other operating lease).

Operating segments: Geographical segmentation – overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22
Net interest income	2,143.9	2,565.7	2,617.5	3,159.7	214.3	225.2	4,975.7	5,950.6
Net fee and commission income	1,345.9	1,396.3	1,043.9	1,133.6	-86.1	-77.5	2,303.7	2,452.4
Dividend income	14.4	18.3	7.9	4.3	10.9	6.6	33.2	29.1
Net trading result	33.9	-127.5	226.7	325.8	-201.9	-976.9	58.6	-778.6
Gains/losses from financial instruments at FVPL	74.3	51.6	-31.6	-66.8	130.5	746.5	173.2	731.3
Net result from equity method investments	-0.6	2.9	10.8	7.1	5.2	8.0	15.4	18.0
Rental income from investment properties & other operating leases	149.3	140.9	48.1	42.3	-15.1	-15.4	182.3	167.8
General administrative expenses	-2,163.5	-2,195.2	-1,941.3	-2,117.6	-201.7	-262.0	-4,306.5	-4,574.9
thereof depreciation and amortization	-175.0	-159.7	-267.2	-277.4	-105.9	-113.5	-548.0	-550.7
Gains/losses from derecognition of financial assets at AC	-0.8	-0.6	-7.0	-50.5	0.2	-1.0	-7.6	-52.0
Other gains/losses from derecognition of financial instruments not at FVPL	-21.7	-0.3	-1.9	-25.0	-1.5	2.0	-25.2	-23.3
Impairment result from financial instruments	-4.3	-157.6	-163.5	-134.1	9.0	-7.8	-158.8	-299.5
Other operating result	-21.1	-55.8	-175.4	-284.8	-114.0	-58.0	-310.5	-398.5
Levies on banking activities	-9.6	-41.1	-63.0	-124.1	-0.9	-21.9	-73.5	-187.1
Pre-tax result from continuing operations	1,549.5	1,638.7	1,634.2	1,994.0	-250.3	-410.3	2,933.4	3,222.4
Taxes on income	-377.6	-417.7	-330.9	-375.5	183.3	237.1	-525.2	-556.1
Net result for the period	1,171.9	1,221.0	1,303.3	1,618.4	-67.0	-173.2	2,408.1	2,666.3
Net result attributable to non-controlling interests	431.0	442.2	51.5	57.3	2.2	2.0	484.8	501.6
Net result attributable to owners of the parent	740.9	778.8	1,251.7	1,561.1	-69.3	-175.2	1,923.4	2,164.7
Operating income	3,760.9	4,048.1	3,923.3	4,605.9	57.8	-83.4	7,742.0	8,570.6
Operating expenses	-2,163.5	-2,195.2	-1,941.3	-2,117.6	-201.7	-262.0	-4,306.5	-4,574.9
Operating result	1,597.5	1,852.9	1,982.0	2,488.3	-143.9	-345.4	3,435.5	3,995.8
Risk-weighted assets (credit risk, eop)	58,570	62,673	47,178	53,151	2,711	3,458	108,459	119,282
Average allocated capital	8,348	9,712	8,573	9,913	6,308	4,660	23,229	24,284
Cost/income ratio	57.5%	54.2%	49.5%	46.0%	>100%	>100%	55.6%	53.4%
Return on allocated capital	14.0%	12.6%	15.2%	16.3%	-1.1%	-3.7%	10.4%	11.0%
Total assets (eop)	199,308	204,979	134,082	142,554	-25,962	-23,669	307,428	323,865
Total liabilities excluding equity (eop)	161,679	166,197	121,281	129,479	954	2,884	283,915	298,560
Impairments	-9.1	-157.3	-216.2	-196.1	-3.9	-24.0	-229.1	-377.4
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	34.9	-159.1	-109.5	-93.3	20.6	-19.5	-54.1	-272.0
Net impairment loss on commitments and guarantees given	-39.2	1.5	-54.0	-40.7	-11.6	11.7	-104.8	-27.6
Impairment of goodwill	0.0	0.0	0.0	-5.4	0.0	0.0	0.0	-5.4
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	-3.9	-5.9	-9.8	-14.7	-13.7	-20.6
Net impairment on other non-financial assets	-4.8	0.4	-48.8	-50.7	-3.1	-1.5	-56.7	-51.8

Operating segments: Geographical area Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22
Net interest income	646.4	708.9	1,080.3	1,222.5	417.2	634.3	2,143.9	2,565.7
Net fee and commission income	460.1	480.1	584.5	623.1	301.3	293.1	1,345.9	1,396.3
Dividend income	6.2	6.5	5.2	8.5	2.9	3.3	14.4	18.3
Net trading result	-19.4	-58.2	-8.6	-69.7	61.8	0.4	33.9	-127.5
Gains/losses from financial instruments at FVPL	36.4	57.3	51.1	16.4	-13.3	-22.1	74.3	51.6
Net result from equity method investments	-0.1	3.3	0.0	0.0	-0.5	-0.4	-0.6	2.9
Rental income from investment properties & other operating leases	63.7	52.4	41.7	43.1	43.9	45.3	149.3	140.9
General administrative expenses	-702.7	-688.6	-1,108.8	-1,143.4	-352.0	-363.2	-2,163.5	-2,195.2
thereof depreciation and amortization	-55.7	-42.2	-82.1	-85.1	-37.2	-32.5	-175.0	-159.7
Gains/losses from derecognition of financial assets at AC	-2.0	-0.7	1.2	0.2	0.0	0.0	-0.8	-0.6
Other gains/losses from derecognition of financial instruments not at FVPL	-0.5	0.1	-0.8	0.5	-20.4	-0.9	-21.7	-0.3
Impairment result from financial instruments	-31.5	-31.1	23.8	-62.2	3.4	-64.3	-4.3	-157.6
Other operating result	-32.2	-35.1	-16.3	-25.5	27.4	4.9	-21.1	-55.8
Levies on banking activities	-4.3	-23.3	-5.2	-17.7	-0.1	-0.1	-9.6	-41.1
Pre-tax result from continuing operations	424.3	494.8	653.4	613.6	471.8	530.3	1,549.5	1,638.7
Taxes on income	-97.3	-139.7	-167.8	-157.2	-112.4	-120.8	-377.6	-417.7
Net result for the period	326.9	355.1	485.6	456.4	359.3	409.6	1,171.9	1,221.0
Net result attributable to non-controlling interests	20.3	34.9	402.4	399.5	8.2	7.9	431.0	442.2
Net result attributable to owners of the parent	306.6	320.1	83.2	56.9	351.1	401.7	740.9	778.8
Operating income	1,193.3	1,250.4	1,754.3	1,843.9	813.3	953.9	3,760.9	4,048.1
Operating expenses	-702.7	-688.6	-1,108.8	-1,143.4	-352.0	-363.2	-2,163.5	-2,195.2
Operating result	490.6	561.7	645.5	700.5	461.3	590.6	1,597.5	1,852.9
Risk-weighted assets (credit risk, eop)	15,206	15,454	26,903	27,280	16,461	19,939	58,570	62,673
Average allocated capital	1,995	2,433	3,891	4,665	2,462	2,615	8,348	9,712
Cost/income ratio	58.9%	55.1%	63.2%	62.0%	43.3%	38.1%	57.5%	54.2%
Return on allocated capital	16.4%	14.6%	12.5%	9.8%	14.6%	15.7%	14.0%	12.6%
Total assets (eop)	59,824	59,249	78,539	80,471	60,945	65,259	199,308	204,979
Total liabilities excluding equity (eop)	57,324	56,574	72,828	74,399	31,527	35,223	161,679	166,197
Impairments	-31.5	-30.8	23.0	-61.9	-0.6	-64.5	-9.1	-157.3
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-25.8	-33.8	45.5	-67.4	15.2	-57.8	34.9	-159.1
Net impairment loss on commitments and guarantees given	-5.7	2.7	-21.7	5.3	-11.8	-6.5	-39.2	1.5
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	0.3	-0.8	0.3	-4.0	-0.2	-4.8	0.4

Operating segments: Geographical area Central and Eastern Europe

in EUR million	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22
Net interest income	1,150.5	1,416.7	434.9	449.5	432.6	530.0	257.2	395.8	269.5	284.7	72.8	83.0	2,617.5	3,159.7
Net fee and commission income	358.2	386.9	174.3	192.2	176.4	191.5	207.4	222.8	107.5	117.2	20.2	23.0	1,043.9	1,133.6
Dividend income	6.5	2.7	0.6	0.6	0.7	0.8	0.1	0.2	0.1	0.0	0.0	0.0	7.9	4.3
Net trading result	67.5	152.2	9.8	23.6	77.4	123.3	37.9	-18.4	29.4	39.5	4.7	5.6	226.7	325.8
Gains/losses from financial instruments at FVPL	-4.0	-17.8	-0.8	2.3	0.5	4.5	-27.9	-54.1	0.6	-1.6	0.0	0.0	-31.6	-66.8
Net result from equity method investments	3.0	3.0	5.9	2.7	0.7	0.2	0.0	0.0	1.1	1.0	0.1	0.2	10.8	7.1
Rental income from investment properties & other operating leases	8.3	8.5	0.3	0.4	22.7	17.8	8.1	7.6	8.7	7.9	0.1	0.2	48.1	42.3
General administrative expenses	-795.3	-868.5	-292.4	-307.1	-339.7	-381.2	-230.7	-246.8	-217.8	-239.6	-65.4	-74.4	-1,941.3	-2,117.6
thereof depreciation and amortization	-106.1	-110.8	-33.4	-34.6	-43.8	-52.1	-45.0	-41.3	-33.1	-32.6	-5.9	-5.9	-267.2	-277.4
Gains/losses from derecognition of financial assets at AC	-9.3	-49.7	0.0	0.0	0.0	0.0	2.4	-0.4	0.0	0.0	-0.1	-0.3	-7.0	-50.5
Other gains/losses from derecognition of financial instruments not at FVPL	-0.2	-25.8	-2.6	-0.5	0.0	0.0	0.8	1.1	0.1	0.1	0.0	0.0	-1.9	-25.0
Impairment result from financial instruments	-69.4	-25.9	-1.1	-32.1	-46.4	-79.8	-16.2	-18.4	-22.2	42.2	-8.2	-20.0	-163.5	-134.1
Other operating result	-66.5	-67.9	-15.5	-11.4	-32.8	-37.3	-60.2	-138.6	5.2	-27.1	-5.6	-2.5	-175.4	-284.8
Levies on banking activities	0.0	0.0	0.0	0.0	0.0	0.0	-63.0	-124.1	0.0	0.0	0.0	0.0	-63.0	-124.1
Pre-tax result from continuing operations	649.3	914.4	313.3	320.2	292.0	369.6	178.9	150.6	182.2	224.4	18.4	14.7	1,634.2	1,994.0
Taxes on income	-145.1	-155.9	-75.4	-70.9	-55.6	-72.7	-22.9	-25.6	-30.9	-49.9	-1.0	-0.6	-330.9	-375.5
Net result for the period	504.2	758.6	237.9	249.3	236.4	297.0	156.0	125.1	151.3	174.5	17.4	14.1	1,303.3	1,618.4
Net result attributable to non-controlling interests	0.1	0.1	0.0	0.0	0.3	0.3	0.0	0.0	47.6	54.1	3.6	2.8	51.5	57.3
Net result attributable to owners of the parent	504.1	758.5	237.9	249.3	236.1	296.6	156.0	125.1	103.7	120.4	13.9	11.2	1,251.7	1,561.1
Operating income	1,589.9	1,952.3	625.0	671.3	710.9	867.9	482.7	553.8	416.9	448.7	97.9	111.9	3,923.3	4,605.9
Operating expenses	-795.3	-868.5	-292.4	-307.1	-339.7	-381.2	-230.7	-246.8	-217.8	-239.6	-65.4	-74.4	-1,941.3	-2,117.6
Operating result	794.6	1,083.8	332.6	364.2	371.2	486.7	252.0	306.9	199.1	209.2	32.4	37.5	1,982.0	2,488.3
Risk-weighted assets (credit risk, eop)	19,634	22,374	8,105	9,232	7,319	8,529	4,272	5,116	6,168	6,071	1,680	1,829	47,178	53,151
Average allocated capital	3,034	3,848	1,282	1,488	1,723	1,800	1,205	1,248	1,071	1,232	259	297	8,573	9,913
Cost/income ratio	50.0%	44.5%	46.8%	45.8%	47.8%	43.9%	47.8%	44.6%	52.2%	53.4%	66.9%	66.5%	49.5%	46.0%
Return on allocated capital	16.6%	19.7%	18.6%	16.8%	13.7%	16.5%	13.0%	10.0%	14.1%	14.2%	6.7%	4.7%	15.2%	16.3%
Total assets (eop)	66,045	68,002	23,157	23,752	18,238	19,972	11,569	12,717	12,262	14,980	2,812	3,132	134,082	142,554
Total liabilities excluding equity (eop)	60,284	62,292	21,104	21,566	16,273	17,738	10,339	11,601	10,792	13,519	2,489	2,763	121,281	129,479
Impairments	-92.6	-71.7	-3.5	-35.8	-68.8	-85.9	-15.6	-24.2	-27.4	41.4	-8.2	-20.0	-216.2	-196.1
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-57.2	-29.6	7.3	-35.8	-34.1	-66.7	-16.5	-14.4	-1.0	70.5	-8.0	-17.3	-109.5	-93.3
Net impairment loss on commitments and guarantees given	-12.2	3.7	-8.4	3.7	-12.3	-13.1	0.4	-4.1	-21.2	-28.3	-0.2	-2.7	-54.0	-40.7
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.4	0.0	0.0	0.0	0.0	0.0	-5.4
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	-3.9	-5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.9	-5.9
Net impairment on other non-financial assets	-23.2	-45.8	1.5	2.2	-22.4	-6.0	0.6	-0.4	-5.2	-0.7	0.0	0.0	-48.8	-50.7

Business segments (1)

in EUR million	Retail		Corporates		Group Markets		ALM&LCC	
	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22
Net interest income	2,102.4	2,643.0	1,190.7	1,541.8	205.8	526.3	223.2	-282.6
Net fee and commission income	1,206.6	1,270.2	332.5	369.9	289.9	289.0	-85.6	-84.0
Dividend income	0.4	0.0	0.5	0.0	0.1	2.7	16.1	11.4
Net trading result	121.6	158.1	100.5	149.2	120.2	55.7	-206.2	-914.9
Gains/losses from financial instruments at FVPL	-30.9	-58.6	-0.7	3.7	-10.1	-33.4	179.8	818.3
Net result from equity method investments	7.0	3.4	0.0	3.3	0.0	0.0	3.1	3.2
Rental income from investment properties & other operating leases	24.0	5.7	109.6	111.1	0.4	0.4	24.7	26.1
General administrative expenses	-2,111.8	-2,227.1	-543.7	-592.4	-237.3	-245.9	-124.1	-122.3
thereof depreciation and amortization	-270.0	-259.2	-63.8	-69.1	-17.5	-13.5	-9.2	-10.8
Gains/losses from derecognition of financial assets at AC	-2.6	-1.7	0.2	0.0	0.0	0.0	-4.3	-50.0
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.6	0.8	-0.1	-0.2	-28.0	-26.1
Impairment result from financial instruments	-122.4	-135.0	-60.0	-105.0	-5.6	0.7	-2.3	6.3
Other operating result	-55.6	-100.9	-12.5	-56.9	-27.5	-34.3	-105.5	-155.1
Levies on banking activities	-41.0	-80.1	-23.2	-39.2	-4.9	-10.1	1.7	-18.1
Pre-tax result from continuing operations	1,138.7	1,557.1	1,117.7	1,425.6	335.8	561.1	-109.0	-769.6
Taxes on income	-217.6	-306.2	-214.9	-280.6	-70.5	-112.6	-27.0	125.2
Net result for the period	921.1	1,251.0	902.8	1,145.0	265.4	448.5	-136.0	-644.4
Net result attributable to non-controlling interests	31.3	33.2	44.4	62.5	4.8	4.6	-0.4	-0.2
Net result attributable to owners of the parent	889.7	1,217.7	858.4	1,082.5	260.6	443.9	-135.6	-644.2
Operating income	3,431.1	4,021.8	1,733.1	2,179.1	606.3	840.7	155.1	-422.3
Operating expenses	-2,111.8	-2,227.1	-543.7	-592.4	-237.3	-245.9	-124.1	-122.3
Operating result	1,319.3	1,794.7	1,189.4	1,586.7	369.0	594.8	31.0	-544.6
Risk-weighted assets (credit risk, eop)	21,808	22,458	47,329	55,858	3,305	3,600	6,704	7,269
Average allocated capital	3,641	3,791	5,330	5,841	1,104	1,102	4,420	5,917
Cost/income ratio	61.5%	55.4%	31.4%	27.2%	39.1%	29.2%	80.0%	-29.0%
Return on allocated capital	25.3%	33.0%	16.9%	19.6%	24.0%	40.7%	-3.1%	-10.9%
Total assets (eop)	71,408	74,941	64,742	76,016	47,772	47,665	84,054	84,692
Total liabilities excluding equity (eop)	111,352	113,825	36,989	41,625	41,902	44,638	60,682	65,218
Impairments	-121.6	-154.0	-83.8	-121.1	-5.6	0.7	-36.8	-20.5
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	-123.7	-148.4	5.7	-44.5	0.1	1.5	-0.8	3.0
Net impairment loss on commitments and guarantees given	1.4	13.4	-65.7	-60.5	-5.8	-0.8	-1.5	3.2
Impairment of goodwill	0.0	-5.0	0.0	0.0	0.0	0.0	0.0	-0.4
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	-0.2	0.2	-0.1	0.0	0.0	-4.1	-5.6
Net impairment on other non-financial assets	0.8	-13.9	-24.0	-16.0	0.0	0.0	-30.4	-20.7

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22	1-12 21	1-12 22
Net interest income	1,080.3	1,222.5	100.5	137.7	72.7	161.8	4,975.7	5,950.6
Net fee and commission income	584.5	623.1	5.9	12.4	-30.1	-28.3	2,303.7	2,452.4
Dividend income	5.2	8.5	10.9	6.6	0.0	0.0	33.2	29.1
Net trading result	-8.6	-69.7	-11.9	-17.0	-57.1	-140.0	58.6	-778.6
Gains/losses from financial instruments at FVPL	51.1	16.4	-15.9	-15.1	0.0	0.0	173.2	731.3
Net result from equity method investments	0.0	0.0	5.2	8.0	0.0	0.0	15.4	18.0
Rental income from investment properties & other operating leases	41.7	43.1	-17.7	-17.9	-0.4	-0.8	182.3	167.8
General administrative expenses	-1,108.8	-1,143.4	-904.2	-963.9	723.4	720.1	-4,306.5	-4,574.9
thereof depreciation and amortization	-82.1	-85.1	-126.6	-134.3	21.1	21.3	-548.0	-550.7
Gains/losses from derecognition of financial assets at AC	1.2	0.2	1.2	-0.4	-3.4	-0.1	-7.6	-52.0
Other gains/losses from derecognition of financial instruments not at FVPL	-0.8	0.5	0.0	1.6	3.2	0.1	-25.2	-23.3
Impairment result from financial instruments	23.8	-62.2	7.7	-4.3	0.0	0.0	-158.8	-299.5
Other operating result	-16.3	-25.5	615.2	687.0	-708.3	-712.8	-310.5	-398.5
Levies on banking activities	-5.2	-17.7	-0.9	-21.9	0.0	0.0	-73.5	-187.1
Pre-tax result from continuing operations	653.4	613.6	-203.3	-165.3	0.0	0.0	2,933.4	3,222.4
Taxes on income	-167.8	-157.2	172.6	175.2	0.0	0.0	-525.2	-556.1
Net result for the period	485.6	456.4	-30.7	9.9	0.0	0.0	2,408.1	2,666.3
Net result attributable to non-controlling interests	402.4	399.5	2.2	2.0	0.0	0.0	484.8	501.6
Net result attributable to owners of the parent	83.2	56.9	-32.9	7.9	0.0	0.0	1,923.4	2,164.7
Operating income	1,754.3	1,843.9	76.9	114.7	-14.8	-7.3	7,742.0	8,570.6
Operating expenses	-1,108.8	-1,143.4	-904.2	-963.9	723.4	720.1	-4,306.5	-4,574.9
Operating result	645.5	700.5	-827.3	-849.1	708.5	712.8	3,435.5	3,995.8
Risk-weighted assets (credit risk, eop)	26,903	27,280	2,411	2,818	0	0	108,459	119,282
Average allocated capital	3,891	4,665	4,843	2,968	0	0	23,229	24,284
Cost/income ratio	63.2%	62.0%	>100%	>100%	>100%	>100%	55.6%	53.4%
Return on allocated capital	12.5%	9.8%	-0.6%	0.3%			10.4%	11.0%
Total assets (eop)	78,539	80,471	3,597	5,464	-42,684	-45,385	307,428	323,865
Total liabilities excluding equity (eop)	72,828	74,399	2,903	4,281	-42,741	-45,426	283,915	298,560
Impairments	23.0	-61.9	-4.4	-20.5	0.0	0.0	-229.1	-377.4
Net impairment loss on financial assets AC/FVTOCI and finance lease receivables	45.5	-67.4	19.1	-16.2	0.0	0.0	-54.1	-272.0
Net impairment loss on commitments and guarantees given	-21.7	5.3	-11.4	11.8	0.0	0.0	-104.8	-27.6
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-5.4
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	-9.8	-14.7	0.0	0.0	-13.7	-20.6
Net impairment on other non-financial assets	-0.8	0.3	-2.3	-1.5	0.0	0.0	-56.7	-51.8

2. Net interest income

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

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

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

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

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

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

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

in EUR million	1-12 21	1-12 22
Financial assets at AC	4,939.8	8,378.4
Financial assets at FVOCI	169.0	244.3
Interest income	5,108.9	8,622.7
Non-trading financial assets at FVPL	58.0	65.6
Financial assets HfT	1,005.0	2,344.8
Hedge accounting derivatives, interest rate risk	-19.8	-118.7
Other assets	116.7	130.9
Negative interest from financial liabilities	316.5	194.9
Other similar income	1,476.5	2,617.6
Interest and other similar income	6,585.4	11,240.3
Financial liabilities at AC	-483.8	-2,569.2
Interest expenses	-483.8	-2,569.2
Financial liabilities at FVPL	-272.6	-257.3
Financial liabilities HfT	-785.0	-2,367.2
Hedge accounting derivatives, interest rate risk	121.8	38.1
Other liabilities	-19.1	-30.2
Negative interest from financial assets	-170.9	-103.9
Other similar expenses	-1,125.9	-2,720.5
Interest and other similar expenses	-1,609.7	-5,289.7
Net interest income	4,975.7	5,950.6

An amount of EUR 99.9 million (2021: EUR 80.2 million) relating to impaired financial assets is included in interest income.

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

In 2022 interest expense on financial liabilities at AC includes catch-up loss from TLTRO III in the amount of EUR 129.3 million. In 2021 negative interest from financial liabilities at AC includes catch-up gains from TLTRO III in the amount of EUR 93.0 million. For more details refer to Note 18 Financial liabilities at amortised costs.

3. Net fee and commission income

Erste Group earns fee and commission income from a diverse range of services that it provides to its customers. Fee and commission income is measured based on the consideration specified in the contract with a customer. Erste Group recognises revenue when it transfers a promised service to a customer.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commitment fees, premiums received for financial guarantees and other fees from lending business, commission income from asset management, custody and other management and advisory fees. Services provided over a period of time also include certain payment services like periodic card fees.

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

A contract with a customer that results in the recognition of a financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then Erste Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. For example, loan servicing fees agreed in a loan contract that are not integral to the effective interest rate of a financial instrument are included in the net fee and commission income.

in EUR million	1-12 21		1-12 22	
	Income	Expenses	Income	Expenses
Securities	282.2	-57.0	281.6	-56.1
Issues	37.8	-5.4	47.2	-1.3
Transfer orders	229.6	-40.1	216.7	-42.8
Other	14.8	-11.5	17.7	-12.0
Clearing and settlement	1.6	-3.6	1.9	-4.4
Asset management	508.0	-52.9	524.3	-48.8
Custody	133.0	-14.6	123.4	-16.0
Fiduciary transactions	1.3	0.0	1.3	0.0
Payment services	1,212.7	-205.3	1,340.1	-236.5
Card business	351.2	-133.5	406.4	-157.8
Other	861.6	-71.8	933.7	-78.7
Customer resources distributed but not managed	261.9	-8.1	274.1	-8.3
Collective investment	29.1	-2.1	24.2	-1.9
Insurance products	201.2	-1.3	210.7	-0.7
Foreign exchange transactions	29.2	-2.0	36.5	-2.9
Other	2.4	-2.7	2.7	-2.8
Structured finance	1.0	0.0	0.5	0.0
Servicing fees from securitization activities	0.0	-2.0	0.4	-1.1
Lending business	206.2	-46.3	218.2	-38.2
Guarantees given, guarantees received	79.1	-2.4	93.8	-3.4
Loan commitments given, loan commitments received	40.0	-1.0	42.9	-1.3
Other lending business	87.1	-42.9	81.5	-33.4
Other	114.0	-28.6	123.0	-26.9
Total fee and commission income and expenses	2,722.1	-418.5	2,888.7	-436.3
Net fee and commission income	2,303.7		2,452.4	

Asset management, custody and fiduciary transactions fees relate to fees earned by Erste Group on trust and other fiduciary activities in which Erste Group holds or invests assets on behalf of its customers and amount to EUR 584.1 million (2021: EUR 574.8 million). Net fee and commission income above include income of EUR 1,085.7 million (2021: EUR 979.1 million) relating to financial assets and financial liabilities not measured at FVPL.

4. Dividend income

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

in EUR million	1-12 21	1-12 22
Financial assets HFT	1.4	2.9
Non-trading financial assets at FVPL	23.0	17.5
Financial assets at FVOCI	8.7	8.6
Dividend income	33.2	29.1

5. Net trading result

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

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

in EUR million	1-12 21	1-12 22
Securities and derivatives trading	-227.6	-853.3
Foreign exchange transactions	297.0	86.2
Result from hedge accounting	-10.8	-11.5
Net trading result	58.6	-778.6

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

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

in EUR million	1-12 21	1-12 22
Result from measurement/sale of financial assets designated at FVPL	-11.0	-18.8
Result from measurement/repurchase of financial liabilities designated at FVPL	207.8	939.6
Result from financial assets and liabilities designated at FVPL	196.7	920.8
Result from measurement/sale of financial assets mandatorily at FVPL	-23.5	-189.5
Gains/losses from financial instruments measured at fair value through profit or loss	173.2	731.3

In the reporting period, a loss of EUR 4.4 million (2021: EUR 6.6 million) (before taxes) was transferred from own credit risk reserve to retained earnings due to the repurchase of debt securities (own issues) issued.

7. Rental income from investment properties & other operating leases

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

in EUR million	1-12 21	1-12 22
Investment properties	104.9	113.4
Other operating leases	77.4	54.4
Rental income from investment properties & other operating leases	182.3	167.8

8. General administrative expenses

Personnel expenses

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

Information about remuneration of management including performance-linked remuneration can be found in Note 61 Related-party transactions. Information about share-based payments to the management board and to employees can be found in Note 62 Share-based payments.

Other administrative expenses

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

Depreciation and amortisation

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

General administrative expenses

in EUR million	1-12 21	1-12 22
Personnel expenses	-2,578.1	-2,668.0
Wages and salaries	-1,960.5	-2,049.1
Compulsory social security	-483.3	-487.9
Long-term employee provisions	-14.0	0.5
Other personnel expenses	-120.4	-131.5
Other administrative expenses	-1,180.3	-1,356.2
Deposit insurance contribution	-122.4	-142.9
IT expenses	-433.0	-487.8
Expenses for office space	-156.3	-186.2
Office operating expenses	-121.8	-151.7
Advertising/marketing	-167.5	-192.9
Legal and consulting costs	-118.4	-125.6
Sundry administrative expenses	-60.8	-69.1
Depreciation and amortisation	-548.0	-550.7
Software and other intangible assets	-193.3	-192.4
Owner occupied real estate	-150.0	-160.6
Investment properties	-30.4	-29.3
Customer relationships	-7.6	-7.3
Office furniture and equipment and sundry property and equipment	-166.8	-161.2
General administrative expenses	-4,306.5	-4,574.9

Personnel expenses include expenses of EUR 47.9 million (2021: EUR 44.1 million) for defined contribution plans.

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

	1-12 21	1-12 22
Austria	15,829	15,686
Erste Group Bank AG, Erste Bank Oesterreich and subsidiaries	8,726	8,561
Savings banks	7,103	7,125
Outside Austria	29,305	29,271
Česká spořitelna Group	9,742	9,846
Banca Comercială Română Group	5,480	5,303
Slovenská sporiteľňa Group	3,701	3,618
Erste Bank Hungary Group	3,228	3,272
Erste Bank Croatia Group	3,287	3,240
Erste Bank Serbia Group	1,205	1,212
Savings banks subsidiaries	1,464	1,523
Other subsidiaries and foreign branch offices	1,197	1,257
Total	45,134	44,957

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

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

in EUR million	1-12 21	1-12 22
Gains from derecognition of financial assets at AC	10.7	0.3
Losses from derecognition of financial assets at AC	-18.3	-52.4
Gains/losses from derecognition of financial assets measured at amortised cost	-7.6	-52.0

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

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

in EUR million	1-12 21	1-12 22
Sale of financial assets at FVOCI	-4.8	-24.2
Derecognition of financial liabilities at AC	-20.4	0.9
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	-25.2	-23.3

11. Impairment result from financial instruments

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

in EUR million	1-12 21	1-12 22
Financial assets at FVOCI	2.1	-1.1
Financial assets at AC	-70.0	-292.6
Net allocation to credit loss allowances	-130.8	-355.0
Direct write-offs	-11.8	-8.8
Recoveries recorded directly to the income statement	88.3	78.8
Modification gains or losses	-15.7	-7.6
Finance lease receivables	13.9	21.8
Net allocation to credit loss allowances	11.7	18.6
Direct write-offs	-0.3	-0.2
Recoveries recorded directly to the income statement	2.5	3.3
Credit loss allowances for loan commitments and financial guarantees given	-104.8	-27.6
Impairment result from financial instruments	-158.8	-299.5

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

in EUR million	Changes of credit loss allowances			Total
	Impairment result of financial instruments	Other changes through profit or loss	Changes not affecting profit or loss	
Credit loss allowances Jan 22				-4,447.1
Net allocation to credit loss allowances	-378.9			-378.9
Increase due to passage of time (unwinding correction)		-91.2		-91.2
Derecognition due to sales			43.7	43.7
Write-offs			380.6	380.6
Changes in scope of consolidation			-1.9	-1.9
Foreign exchange differences		-10.7		-10.7
Other		-0.7		-0.7
Credit loss allowances Dec 22				-4,506.2
Impairment gains or losses on POCIs without CLA	13.8			13.8
Direct write-offs	-8.9			-8.9
Recoveries recorded directly to the income statement	82.1			82.1
Modification gains or losses	-7.6			-7.6
Impairment result from financial instruments	-299.5			-299.5

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

12. Other operating result

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

It includes expenses for allocations to and income from release of provisions in scope of IAS 37. Further, impairment losses or any reversal of impairment losses as well as results on the sale of property and equipment, investment property and intangible assets are presented as other operating result. Any impairment losses on goodwill are also included in this line item.

In addition, the other operating result encompasses the following: resolution fund contributions, expenses for other taxes as well as selling gains and losses on equity investments accounted for using the equity method and gains or losses from derecognition of subsidiaries.

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

in EUR million	1-12 21	1-12 22
Other operating expenses	-392.8	-520.2
Allocation to other provisions	-198.0	-176.0
Levies on banking activities	-73.5	-187.1
Banking tax	-25.5	-128.0
Financial transaction tax	-48.0	-59.2
Other taxes	-12.7	-12.5
Resolution fund contributions	-108.6	-139.1
Impairment of goodwill	0.0	-5.4
Other operating income	203.1	222.3
Release of other provisions	203.1	222.3
Result from properties and equipment, investment properties and other intangible assets	-24.3	-18.6
Result from other operating expenses/income	-96.5	-81.9
Other operating result	-310.5	-398.5

The increase in banking taxes is due to a new windfall profit tax of EUR 49.9 million in Hungary, which is based on the net revenues of the preceding year, as well as aperiodic effects in Austria.

Operating expenses (including repair and maintenance) for investment properties held for rental income totalled to EUR 36.0 million (2021: EUR 36.1 million).

Income from reversal of impairment for assets held for sale in the amount of EUR 0.0 million (2021: EUR 1.4 million) is recognised under 'Result from other operating expenses/income'.

13. Taxes on income

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

Current tax

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

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

Deferred tax

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

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

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

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

Significant accounting judgements, assumptions and estimates

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

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

in EUR million	1-12 21	1-12 22
Current tax expense/income	-545.3	-577.9
current period	-520.7	-569.2
prior period	-24.6	-8.8
Deferred tax expense/income	20.1	21.8
current period	15.5	16.3
prior period	4.5	5.5
Total	-525.2	-556.1

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

in EUR million	1-12 21	1-12 22
Pre-tax result from continuing operations	2,933.4	3,222.4
Income tax expense for the financial year at the Austrian statutory tax rate (25%)	-733.3	-805.6
Impact of different foreign tax rates	149.0	161.4
Impact of tax-exempt earnings of investments and other tax-exempt income	127.8	178.5
Tax increases due to non-deductible expenses, additional business tax and similar elements	-170.9	-216.0
Impact on deferred taxes from topics on Group level	-171.8	13.4
Current period's recognition through P&L of DTA from tax losses, assessed non-recoverable at the end of the prior period	313.4	107.8
Current period's impairment of DTA recognized in prior periods through P&L	-2.4	0.0
Current period's recognition through P&L of DTA from temporary differences, assessed non-recoverable at the end of the prior period	0.2	71.6
Impact of current non-recoverable fiscal losses and temporary differences for the year	-6.8	-3.1
Tax expense/income not attributable to the reporting period	-20.0	-3.2
Tax expense/income from changes of the tax rate or the imposition of new taxes	0.0	-21.4
Tax expense/income attributable to other effects	-10.4	-39.5
Total	-525.2	-556.1

The adverse impact of EUR -21.4 million reported in the above effective tax reconciliation table for the financial year 2022 as 'tax expense/income from changes of the tax rate or the imposition of new taxes' (2021: EUR 0 million) is triggered by the upcoming decreases in the corporate income tax rate in the Austrian jurisdiction, as legally enacted in January 2022. Thus, in accordance with the related legislative amendments to the Austrian Fiscal Code, the Austrian corporate income tax rate of 25%, which has continued to apply for the fiscal year 2022, is reduced to 24% for the fiscal year 2023 and further reduced to 23% from the fiscal year 2024 onwards. Consequently, the deferred tax income and expenses related to temporary differences arising during the financial year 2022 at the level of the Group entities that are fiscal subjects of the Austrian jurisdiction - as well as the deferred tax positions already recognized by these entities at the end of the year 2021 and expected to become tax effective starting with the year 2023 onwards - have been calculated - and respectively recalculated - using the newly applicable tax rates accordingly. The main reason why the combined ensuing effect is adverse despite the decreasing applicable tax rates consists of the fact that the combined deferred tax position of Group's Austrian entities at the end of the year 2021 was a deferred tax asset that was downwards adjusted based on the newly applicable future tax rates, mostly 23%.

The main contributing factor to the increase in the adverse impact of the 'tax expense attributable to other effects' from EUR -10.4 million (2021) to EUR -39.5 million (2022) is the 'windfall tax' on 'excess-profit' applicable in the Croatian jurisdiction for the fiscal year 2022 (EUR -12.1 million). There has also been a significant increase in the amount of the local business and innovation tax charged in the Hungarian jurisdiction (from EUR -11.9 million in 2021 to EUR -15.8 million in 2022). The total amount of the 'tax expense attributable to other effects' for 2022 additionally includes an adverse effect of EUR -5.6 million arising from the internal offsetting of the single-level current and prior taxable results of the Austrian member entities of the tax group headed by Erste Group Bank AG.

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

in EUR million	1-12 21			1-12 22		
	Pre-tax amount	Income tax	Net-of-tax amount	Pre-tax amount	Income tax	Net-of-tax amount
Fair value reserve of equity instruments	20.4	-5.0	16.4	-33.1	8.5	-24.6
Fair value reserve of debt instruments	-188.3	36.6	-151.6	-560.4	113.4	-447.0
Own credit risk reserve	82.3	-5.7	76.5	239.3	-56.9	182.4
Cash flow hedge reserve	-298.4	56.9	-241.5	9.9	-0.9	8.9
Remeasurement of defined benefit plans	28.6	-4.5	24.1	99.3	-16.9	82.4
Currency reserve	271.0	0.0	271.0	79.0	0.0	79.0
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	0.0	0.0	-0.4	0.0	-0.4
Other comprehensive income	-84.4	78.3	-5.2	-166.5	47.2	-119.3

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

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

Major components of deferred tax assets and deferred tax liabilities

in EUR million	Tax assets		Tax liabilities		Net variance 2022		
	Dec 22	Jan 22	Dec 22	Jan 22	Total	Profit or loss	Other comprehensive income
Temporary differences related to the following items:							
Financial assets and liabilities HfT and non-trading financial assets and liabilities at FVPL	219	202	-317	-233	-68	-11	-57
Financial assets at FVOCI	115	4	-6	-61	167	44	123
Financial assets at AC and finance lease receivables	636	273	-211	-149	301	299	0
Hedge accounting derivatives	80	120	-51	-32	-58	-57	-1
Property, plant and equipment	22	20	-114	-111	-2	-2	0
Equity Investments in subsidiaries, associates and joint-ventures	47	28	-3	-8	23	23	0
Financial liabilities at AC	274	201	-395	-31	-290	-290	0
Long-term employee provisions (tax valuation different)	114	130	-3	-3	-16	0	-17
Other provisions (tax valuation different)	58	72	-2	-2	-14	-14	0
Customer relationships, brands and other intangibles	3	3	-78	-86	8	8	0
Other	146	227	-47	-53	-75	-74	0
Non-recoverable tax position from temporary differences	-94	-147	0	0	53	53	0
Deferred tax position from accumulated tax loss carried forward after recoverability considerations	219	178	0	0	42	42	0
Effect of netting according IAS 12.71	-1,211	-750	1,211	750	0	0	0
Total deferred taxes	629	562	-16	-19	70	22	48
Current taxes	109	135	-127	-144	-10	-578	0
Total taxes	738	697	-143	-162	60	-556	48

in EUR million	Tax assets		Tax liabilities		Net variance 2021		
	Dec 21	Jan 21	Dec 21	Jan 21	Total	Profit or loss	Other comprehensive income
Temporary differences related to the following items:							
Financial assets and liabilities HfT and non-trading financial assets and liabilities at FVPL	202	319	-233	-305	-45	-37	-8
Financial assets at FVOCI	4	0	-61	-62	4	-31	32
Financial assets at AC and finance lease receivables	273	314	-149	-119	-71	-73	0
Hedge accounting derivatives	120	87	-32	-48	49	-8	57
Property, plant and equipment	20	27	-111	-112	-6	-5	0
Equity Investments in subsidiaries, associates and joint-ventures	28	45	-8	-8	-17	-17	0
Financial liabilities at AC	201	214	-31	-38	-6	-7	0
Long-term employee provisions (tax valuation different)	130	148	-3	-3	-19	-14	-5
Other provisions (tax valuation different)	72	104	-2	-2	-32	-32	0
Customer relationships, brands and other intangibles	3	4	-86	-88	1	2	0
Other	227	134	-53	-60	101	101	0
Non-recoverable tax position from temporary differences	-147	-161	0	0	14	12	2
Deferred tax position from accumulated tax loss carried forward after recoverability considerations	178	48	0	0	129	129	0
Effect of netting according IAS 12.71	-750	-823	750	823	0	0	0
Total deferred taxes	562	460	-19	-20	103	20	78
Current taxes	135	175	-144	-58	-125	-545	0
Total taxes	697	635	-162	-79	-21	-525	78

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

Out of the total net deferred tax increase of EUR 70 million (2021: increase EUR 103 million) an amount of EUR 22 million (2021: EUR 20 million) is reflected as deferred tax income in the Group's income statement for the year 2022, whilst an income amount of EUR 48 million (2021: EUR 78 million) represents the impact in the Group's other comprehensive income for the year. Furthermore, deferred tax income in the amount of EUR 1.0 million (2021: EUR 1.6 million) representing accumulated OCI in respect of deferred tax recognised for cumulative changes in own credit risk attributable to own issues repurchased during the year has been transferred into retained earnings, consequent to the related temporary differences reversing upon repurchase.

The Group's consolidated deferred tax asset position in amount of EUR 629 million as of 31 December 2022 (2021: EUR 562 million) is expected to be recoverable in the foreseeable future. This is also expected to be the case for deferred tax assets exceeding their deferred tax liabilities by an amount of EUR 10 million as of 31 December 2022 (2021: EUR 12 million) incurred by subsidiaries reporting losses in the current or prior period. These expectations result from year-end recoverability assessments undertaken by the Group's entities, either at individual level, or at relevant tax group level. Such assessments are comparing net temporary deductible differences and available fiscal losses at year-end - after offsetting with deferred tax liabilities at individual level or at relevant tax group level - with fiscal profit forecasts for a group-wide unified and unchanged time horizon of a maximum 5 years depending on the fiscal jurisdiction and applicable facts and circumstances. If the result of these assessments is negative, the deferred tax asset positions are correspondingly not recorded and the already existing deferred tax asset positions are correspondingly depreciated.

In accordance with IAS 12.39, no deferred tax liabilities were recognised for temporary differences relating to investments in subsidiaries with an amount of EUR 2,545 million (2021: EUR 2,467 million), as they are not expected to reverse in the foreseeable future. As of 31 December 2022, no deferred tax assets were recognised for tax loss carry-forward and deductible temporary differences with a total amount of EUR 2,926 million (2021: EUR 3,839 million), of which EUR 1,385 million (2021: EUR 2,032 million) relates to tax loss carry-forward, as they are not expected to be realized in the foreseeable future. The figure comprises an amount of EUR 1,125 million (2021: EUR 1,218 million) representing temporary differences in connection with investments in subsidiaries no deferred tax assets have been recognised for in accordance with IAS 12.44.

From the total of the not recorded deferred tax assets related to tax loss carry-forward in the following period EUR 0 million will expire (2021: EUR 1 million) and in later periods EUR 5 million (2021: EUR 3 million), EUR 307 million (2021: EUR 493 million) will not expire.

14. Appropriation of profit

In the reporting period, Erste Group Bank AG posted a post-tax profit of EUR 1,591.2 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2021: EUR 1,782.3 million).

The management board of Erste Group Bank AG will propose a 2022 dividend of EUR 1.90 per share to the 2023 Annual General Meeting (2021: EUR 1.60 per share).

Financial instruments – Significant accounting policies

Accounting and measurement methods for financial instruments

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

Measurement of financial assets and financial liabilities is subject to two primary measurement methods: at amortised cost and fair value.

i. Amortised cost and effective interest rate

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

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

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

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

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

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

ii. Fair value

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

Initial recognition and measurement

i. Initial recognition

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

ii. Initial measurement

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

Classification and subsequent measurement of financial assets

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

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

For further details refer to part 'Significant accounting judgements, assumptions and estimates' in this chapter.

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

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

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost unless they are measured at fair value through profit or loss. Further details on financial liabilities at amortised cost and financial liabilities at FVPL are in the respective notes: Note 18 Financial liabilities at amortised costs and Note 25 Financial liabilities at fair value through profit or loss.

Impairment of financial instruments

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

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

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

Stage 1 relates to financial instruments for which no significant increase in credit risk has been recorded since their initial recognition or which are subject to the 'low credit risk exemption' allowed by IFRS 9. The impairment is measured in the amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Interest income is recognised by EIR applied to the gross carrying amount of the financial asset.

Financial instruments in Stage 2 are subject to significant increase in credit risk since their initial recognition (and the 'low credit risk exemption' does not apply). Stage 2 also includes trade receivables without significant financing component to which the 'simplified approach' is applied mandatorily based on IFRS 9 requirements. The impairment is measured in the amount of the lifetime expected credit loss. Interest income is recognised by EIR applied to the gross carrying amount of the financial asset (as for Stage 1). 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.

Financial instruments in Stage 3 are credit-impaired. In respect of applying the 'credit-impaired' concept of IFRS 9, Erste Group adopted the approach of aligning it with the regulatory concept of 'default' in accordance with guidelines of the European Banking Authority EBA/GL/2016/07 and Commission Delegated Regulation (EU) 2018/171. Erste Group generally applies a customer view for the default definition, which leads to Stage 3 classification of all transactions with the customer 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 all the transactions with the customer cease to be impaired. The impairment of financial instruments in Stage 3 is measured in the amount of the lifetime expected credit loss. Interest income is recognised by EIR applied to the amortised cost (i.e. the net carrying amount) of the financial asset. From a balance sheet perspective, interest is accrued based on the financial assets' gross carrying amount. The difference between the interest accrued on the assets and the interest income recognised is reflected through the allowance account (without impacting the impairment loss).

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

Measurement of expected credit losses includes cash flows expected from collateral and those financial guarantees held by Erste Group which are considered as integral to the contractual terms of financial assets whose risk is guaranteed. Erste Group considers as integral those guarantees which are entered into at or close to the inception of the guaranteed financial assets. If the bank has in a loan contract an option to require provision of a guarantee, it is also considered as integral. Premiums paid for integral financial guarantees and other credit enhancements are considered in the EIR of the related financial assets.

Reimbursement assets from financial guarantees which are not considered integral are recognised under 'Other assets' in the balance sheet. In the statement of income they reduce the impairment loss incurred on guaranteed financial assets under 'Impairment result from financial instruments'. A precondition for this treatment is that it must be virtually certain that the guarantee would reimburse the bank for the loss. Premiums paid for non-integral financial guarantees are presented in the statement of income under the line item 'Fee and commission expense' under 'Net fee and commission income'.

More detailed information about identification of significant increases in credit risk including collective assessment and estimation techniques used to measure 12-month and lifetime expected credit losses is provided in Note 34 Credit risk. For further information on the definition of default refer to Note 37 Measurement of expected credit loss.

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

Information about the development of the expected credit loss of the respective financial instruments is provided in Note 37 Measurement of expected credit loss.

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

Derecognition of financial instruments including treatment of contractual modifications

i. Derecognition of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For debt instrument assets not measured at FVPL that are subject to contractual modifications that do not result in derecognition, the gross carrying amount of the asset is adjusted against recognising a modification gain or loss in profit or loss. The modification gain or loss equals the difference between the gross carrying amount before the modification and the present value of the cash flows based on the modified terms discounted with the original EIR. In the statement of income, the modification gain or loss is presented in the line 'Interest income' under 'Net interest income' if the modification relates to financial assets in Stage 1. For financial assets in Stage 2 and 3 and POCI financial assets, the modification gain or loss is presented in the line 'Impairment result from financial instruments'. However, to the extent that the contractual modification involves the bank giving up its rights of collecting cash flows in respect of an outstanding amount of the asset, such as waiving (part of) principal or accrued interest amount, it is treated as a write-off.

iii. Write-offs

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

Erste Group has specified criteria for writing off the unrecoverable balances in its loan business. Write-off can result from forbearance measures whereby the bank contractually waives part of the existing balance in order to help the customers overcome financial difficulties and thus improve the prospects of recovering the remaining loan balance (normally this relates to going concern scenarios for corporate customers). For more information on Forbearance please refer to Note 41 Restructuring, renegotiation and forbearance.

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

iv. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. This normally occurs when the liability is repaid or repurchased. Derecognition can also result from a substantial modification of the terms of an existing financial liability or from exchanging debt instruments with substantially different terms between Erste Group and the lender. In this respect the

substantially modified / substantially different threshold is met when the present value of the cash flows under the new terms discounted using the original EIR is at least 10 per cent different to the carrying amount of the liability before the modification / exchange.

In the statement of income, the difference between the carrying amount of the derecognised financial liability and the consideration paid is presented in the line 'Other gains/losses from financial instruments not measured at fair value through profit or loss', 'Gains/losses from financial instruments measured at fair value through profit or loss' and 'Net trading result' depending on the measurement category of the derecognised financial liability.

Significant accounting judgements, assumptions and estimates

i. SPPI assessment

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

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

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

In the last years financial assets whose interest is adjusted based on meeting certain ESG-linked targets by the borrowers (e.g. meeting specified CO2 emission targets) became part of Erste Group's business. No specific guidance currently exists in IFRS 9 for assessing the SPPI compliance of such features. Erste Group has concluded that ESG-related interest adjustments have a de minimis effect on the contractual cash flows of the existing loan portfolio. As a result, they do not affect the SPPI assessment.

ii. Business model assessment

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

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

iii. Impairment of financial instruments

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

Detailed disclosures about identification of significant increases in credit risk including collective assessment and estimation techniques used to measure 12-month and lifetime expected credit losses are provided in Note 34 Credit risk. For further information on the definition of default refer to Note 37 Measurement of expected credit loss. The development of loan loss provisions is described in Note 39 Development of credit loss allowances.

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

Regarding assessments of whether the TLTRO III liabilities contain government grants, how the effective interest rate is determined and how changes in estimated cash flows based on expected fulfillment of eligibility conditions are considered see Note 18 Financial liabilities at amortised cost.

Financial instruments held at amortised cost

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

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

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

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

For description of financial liabilities at measured amortised cost refer to Note 18 Financial liabilities at amortised costs.

15. Cash and cash balances

Cash balances include only claims (deposits) against central banks and credit institutions that are repayable on demand. Repayable on demand means that they may be withdrawn at any time or with a term of notice of only one business day or 24 hours. A part of 'Cash balances at central banks' represents the mandatory minimum reserve requirement deposits which amounted to EUR 3,989.7 million (2021: EUR 6,355.4 million) at the reporting date. The mandatory minimum reserve requirement is calculated from defined balance sheet items and has to be fulfilled in average through an extended period of time. Therefore, the mandatory minimum reserve requirement deposits are not subject to any restraints.

in EUR million	Dec 21	Dec 22
Cash on hand	9,781	3,796
Cash balances at central banks	34,682	31,167
Other demand deposits at credit institutions	1,033	722
Cash and cash balances	45,495	35,685

16. Financial assets at amortised cost

Debt securities

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

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Dec 22									
Central banks	15	0	0	15	0	0	0	0	15
General governments	32,880	8	0	32,889	-9	0	0	-9	32,880
Credit institutions	6,505	91	0	6,596	-3	-2	0	-5	6,591
Other financial corporations	263	36	1	300	0	-1	-1	-2	298
Non-financial corporations	669	161	3	834	-1	-3	-2	-6	828
Total	40,333	296	4	40,633	-13	-5	-3	-22	40,612
Dec 21									
Central banks	13	0	0	13	0	0	0	0	13
General governments	29,887	3	0	29,890	-8	0	0	-8	29,882
Credit institutions	4,707	0	0	4,707	-3	0	0	-3	4,705
Other financial corporations	175	1	0	176	0	0	0	0	176
Non-financial corporations	725	54	0	778	-1	-3	0	-4	774
Total	35,508	57	0	35,565	-12	-3	0	-15	35,551

There are no POCI assets in this balance sheet item as of 31 December 2022 (31 December 2021).

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

Loans and advances to banks

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Dec 22									
Central banks	13,514	0	0	13,514	0	0	0	0	13,513
Credit institutions	4,859	69	0	4,928	-5	0	0	-6	4,922
Total	18,373	69	0	18,441	-6	0	0	-6	18,435
Dec 21									
Central banks	16,429	0	0	16,429	-1	0	0	-1	16,428
Credit institutions	4,509	60	0	4,569	-5	-1	0	-5	4,563
Total	20,938	60	0	20,998	-6	-1	0	-6	20,991

There are no POCI assets in this balance sheet item as of 31 December 2022 (31 December 2021).

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

Loans and advances to customers

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 22											
General governments	8,456	642	10	2	9,110	-4	-28	-1	0	-32	9,078
Other financial corporations	4,160	1,017	101	10	5,288	-8	-20	-37	0	-64	5,224
Non-financial corporations	63,081	24,039	2,084	238	89,443	-162	-773	-1,043	-65	-2,043	87,401
Households	80,691	11,821	1,689	100	94,301	-161	-594	-913	-22	-1,690	92,611
Total	156,388	37,519	3,885	350	198,143	-335	-1,415	-1,994	-86	-3,830	194,313
Dec 21											
General governments	6,356	730	2	3	7,091	-4	-20	-2	0	-27	7,065
Other financial corporations	3,671	482	45	11	4,209	-10	-14	-16	0	-40	4,169
Non-financial corporations	57,224	17,486	2,039	201	76,950	-211	-666	-1,069	-61	-2,007	74,944
Households	75,926	10,700	1,851	112	88,589	-158	-504	-979	-26	-1,667	86,922
Total	143,177	29,398	3,937	327	176,839	-383	-1,203	-2,066	-88	-3,740	173,099

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

17. Trade and other receivables

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 22											
Central banks	2	0	0	0	2	0	0	0	0	0	2
General governments	48	15	0	0	63	0	0	0	0	0	63
Credit institutions	43	2	0	0	44	0	0	0	0	0	44
Other financial corporations	87	8	0	0	95	0	0	0	0	0	95
Non-financial corporations	1,364	720	42	1	2,127	-7	-6	-31	-1	-45	2,082
Households	100	23	15	0	137	-2	-5	-12	0	-19	118
Total	1,643	768	57	1	2,469	-9	-11	-44	-1	-65	2,404
Dec 21											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	75	33	0	0	107	0	0	0	0	-1	107
Credit institutions	21	2	2	0	25	0	-1	-1	0	-2	23
Other financial corporations	28	3	0	0	31	0	0	0	0	0	31
Non-financial corporations	937	950	61	0	1,949	-9	-3	-50	0	-62	1,887
Households	90	19	18	0	126	-2	-5	-15	0	-22	104
Total	1,151	1,007	81	0	2,239	-12	-9	-66	0	-87	2,152

For information about development of credit loss allowances refer to Note 39 Development of credit loss allowances.

18. Financial liabilities at amortised costs

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

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

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

In general, the TLTRO interest rate is reduced if banks reach certain lending thresholds over an observation period. At the TLTRO inception, the original effective interest rate is determined by considering the contractual terms and assessing whether the eligibility conditions for the reduced interest will be fulfilled. Subsequently, unless the observation period is over, Erste Group reassesses how the eligibility conditions will be met. The scenario which is considered more likely is used both for the original effective interest rate calculation and for the subsequent reassessment. Any changes in estimates of payments due to the revised assessment of the eligibility conditions are treated as catch-up adjustments. The amount of the catch-up adjustment is determined by discounting the revised estimated payments at the original effective interest rate and comparing it to the gross carrying amount before the adjustment. The catch-up adjustments are presented in the net interest income. In 2021 Erste Group recognised a catch-up adjustment gain in the amount of EUR 93.0 million. This resulted from the assessment that it will meet the 0% lending threshold as the qualifying condition for the interest rate reduction by 50bp in the period between June 2021 and June 2022.

Erste Group treats TLTRO as floating rate instruments in respect of changes in the ECB key rates which are the deposit facility rate (DFR) and the main refinancing operation rate. Whenever the ECB changes the key rates the effective interest rate of the TLTRO is recalculated assuming that the current ECB rate will apply until the end of the respective TLTRO tranche life. If the ECB brings any unconditional changes to the TLTRO interest rate other than changes in the key rates, they are treated as catch-up adjustments and presented in the net interest income. This also includes changes in the calculation of interest rates.

In October 2022 the ECB announced a change in the method for applying the key ECB rates for TLTRO III tranches. For Erste Group this means that the current DFR applies from 23 November 2022 (instead of the average DFR calculated over the entire 3-year life of the TLTRO III tranches). This resulted in a recognition of a catch-up loss in the amount of EUR 129.3 million in 2022. Early redemptions of the tranches in November 2022 resulted in a positive catch up effect amounting to EUR 6.1 million.

The carrying amount of the TLTRO III liabilities was EUR 15,567 million at the end of 2022 (2021: EUR 20,920 million). The main reason for the decrease in 2022 were early redemptions of TLTRO III tranches in the nominal amount of EUR 5,675 million. At 2022 year end Erste Group considered that additional early redemptions are not likely.

In 2022 the interest expense recognised for TLTRO III financial liabilities was EUR 141.2 million. It includes mainly the catch-up adjustment loss in the amount of EUR 129.3 million. The negative interest expense related to the period of the year when the effective interest rate was negative amounted to EUR 91.1 million, including the positive catch up effect of EUR 6.1 million from early redemptions (2021: EUR 208.1 million, including the catch up adjustment gain of EUR 93.0 million).

Deposits from banks

in EUR million	Dec 21	Dec 22
Overnight deposits	1,765	1,951
Term deposits	29,163	25,066
Repurchase agreements	958	1,803
Deposits from banks	31,886	28,821

Deposits from customers

in EUR million	Dec 21	Dec 22
Overnight deposits	167,738	171,576
Savings deposits	43,669	46,558
Other financial corporations	173	222
Non-financial corporations	1,985	2,050
Households	41,511	44,286
Non-savings deposits	124,069	125,018
General governments	6,963	7,070
Other financial corporations	7,530	7,991
Non-financial corporations	37,916	37,420
Households	71,660	72,537
Term deposits	41,662	49,646
Deposits with agreed maturity	34,986	43,331
Savings deposits	21,974	21,312
Other financial corporations	742	1,056
Non-financial corporations	1,409	1,813
Households	19,824	18,444
Non-savings deposits	13,012	22,019
General governments	2,970	3,967
Other financial corporations	1,843	4,605
Non-financial corporations	3,265	6,924
Households	4,934	6,523
Deposits redeemable at notice	6,676	6,315
General governments	9	5
Other financial corporations	120	118
Non-financial corporations	294	278
Households	6,253	5,913
Repurchase agreements	628	1,398
General governments	1	12
Other financial corporations	627	1,386
Deposits from customers	210,029	222,620
General governments	9,942	11,054
Other financial corporations	11,037	15,378
Non-financial corporations	44,868	48,485
Households	144,182	147,702

Debt securities issued

in EUR million	Dec 21	Dec 22
Subordinated debt securities issued	1,943	2,945
Senior non-preferred bonds	1,474	1,667
Other debt securities issued	18,935	21,981
Bonds	8,146	7,308
Certificates of deposit	1,264	4,008
Other certificates of deposits/name certificates	148	121
Mortgage covered bonds	9,377	10,544
Debt securities issued	22,352	26,593

In 2022, 132 new bonds (2021: 9) with a total volume of approximately EUR 2,075 million (2021: EUR 110 million) were issued under the Debt Issuance Programme (DIP).

Furthermore, 122 (2021: 163) new bonds with a total volume of EUR 299 million (2021: EUR 495 million) were issued out of the Structured Notes Programme. Out of the Covered Bonds Programme 4 (2021: 1) new bonds with a total volume of EUR 2.3 billion (2021:

EUR 2.0 billion) were issued in 2022. In June 2019, the Capital Guaranteed Structured Notes Programme was implemented, under which 82 (2021: 34) new bonds with a total volume of EUR 305 million (2021: EUR 103 million) were issued in 2022. In December 2019, the Multi Issuer EMTN Notes Programme was implemented, under which 2 (2021: 7) new bonds with a total volume of EUR 1.0 billion (2021: EUR 2.3 billion) were issued in 2022. Furthermore, senior unsecured registered notes ('Namensschuldverschreibungen'), were issued with a volume of EUR 225 million (2021: EUR 46 million).

The Euro Commercial Paper and Certificates of Deposit Programme was updated in 2022 with an unlimited total volume. In total, 530 issues (2021: 310) amounting to EUR 145.0 billion (2021: EUR 65.2 billion) were placed in 2022. Issues totaling approximately EUR 144.0 billion (2021: EUR 64.0 billion) were redeemed over the same period.

Erste Group Bank AG, through its branch in NY and through its fully consolidated subsidiary Erste Finance Delaware LLC, issues commercial papers and certificates of deposit into the US money market. The total balance as of 31 December 2022 of the Dollar Certificate of Deposit Program of the New York branch amounted to EUR 18.9 million (USD 20.0 million) and as of 31 December 2021 to EUR 17.5 million (USD 20.0 million). The Dollar Commercial Paper Program of Erste Finance Delaware LLC has a maximum issuance volume of EUR 6.7 billion (USD 7.6 billion), with a total balance as of 31 December 2022 of EUR 2.8 billion (USD 3.0 billion) and EUR 1.4 billion (USD 1.6 billion) as of 31 December 2021.

Financial assets at fair value through other comprehensive income

19. Financial assets at fair value through other comprehensive income – debt instruments

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

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

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

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

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount				Credit loss allowances				Amortised cost	Accumulated OCI changes	Fair value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Dec 22											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	7,079	242	0	7,321	-4	-7	0	-10	7,311	-295	7,016
Credit institutions	1,293	18	0	1,311	-2	0	0	-3	1,308	-60	1,249
Other financial corporations	197	99	1	297	0	0	-1	-2	295	-11	285
Non-financial corporations	548	449	2	1,000	-1	-8	-1	-10	990	-79	911
Total	9,117	808	3	9,929	-7	-16	-1	-24	9,904	-444	9,460
Dec 21											
Central banks	6	0	0	6	0	0	0	0	6	0	6
General governments	6,493	92	0	6,585	-3	-4	0	-7	6,578	60	6,638
Credit institutions	867	0	0	867	-2	0	0	-2	865	25	890
Other financial corporations	164	92	0	256	0	-2	0	-3	253	7	260
Non-financial corporations	536	405	0	941	-1	-10	0	-11	930	24	955
Total	8,066	589	0	8,655	-7	-16	0	-23	8,632	117	8,749

There are no POCI assets in this balance sheet item as of 31 December 2022 (31 December 2021).

For information about the development of credit loss allowances refer to Note 39 Development of credit loss allowances.

20. Financial assets at fair value through other comprehensive income – equity instruments

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

The carrying amount of Erste Group's equity instruments at FVOCI as at 31 December 2022 amounts to EUR 99.2 million (2021: EUR 132.4 million), the cumulative fair value change for equity instruments FVOCI before taxes recognised in other comprehensive income amounted to EUR 55.6 million (2021: EUR 88.5 million). During the year 2022, the sales of such instruments amounted to EUR 0.0 million (2021: EUR 17.7 million) and were triggered by strategic business decisions. The cumulative loss (net of tax) that was transferred from accumulated other comprehensive income into retained earnings upon derecognitions of equity instruments at FVOCI amounted to EUR 0.2 million (2021: gain EUR 14.8 million).

Financial instruments at fair value through profit or loss

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

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

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

On the balance sheet, debt instrument financial assets measured at FVPL are presented as 'Financial assets held for trading', sub-item 'Other financial assets held for trading' and 'Non-trading financial assets at fair value through profit or loss', sub-items 'Debt securities' and 'Loans and advances to customers'. Non-trading financial assets at FVPL consist of two sub-categories disclosed in Note 23 Non-trading financial assets at fair value through profit or loss which are 'mandatorily at fair value through profit or loss' and 'designated at fair value through profit or loss'. Financial assets are mandatorily measured at fair value through profit or loss either because they are held as part of residual business models that are other than held for trading or their contractual cash flows are not SPPI.

Investments in equity instruments that are held for trading (i.e. financial assets held by the trading function of the bank) are measured at FVPL. They are included in the balance sheet under the line 'Financial assets held for trading', sub-item 'Other financial assets held for trading'. Investments in equity instruments that are not held for trading are also measured at FVPL (unless they are designated at FVOCI). They are presented in the balance sheet under 'Non-trading financial assets at fair value through profit or loss', sub-item 'Equity instruments', sub-category 'mandatorily at fair value through profit or loss' in Note 23 Non-trading financial assets at fair value through profit or loss.

From IFRS 9 perspective all derivatives which are not designated as hedging instruments are considered as held for trading. As a result, they are measured at FVPL. They are described in more detail in Note 21 Derivative financial instruments.

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

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

On the balance sheet, financial liabilities at FVPL are presented as 'Financial liabilities held for trading', sub-items 'Derivatives' and 'Other financial liabilities held for trading' and as 'Financial liabilities at fair value through profit or loss' which are further broken down into 'Deposits from customers', 'Debt securities issued' and 'Other financial liabilities'. Accounting policy related to financial liabilities at FVPL can be found in Note 21 Derivative financial instrument, Note 24 Other financial liabilities held for trading and Note 25 Financial liabilities at fair value through profit or loss.

21. Derivative financial instruments

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

For presentation purposes, derivatives are split into:

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

Hedge accounting derivatives are discussed in Note 27 Hedge accounting.

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

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

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

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

Embedded derivatives

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

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

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

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

Derivatives held for trading

in EUR million	Dec 21			Dec 22		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	197,734	3,477	3,623	244,708	6,490	6,607
Interest rate	136,122	2,801	2,876	178,235	5,788	5,508
Equity	491	7	6	669	10	10
Foreign exchange	60,305	638	717	64,992	686	1,084
Credit	598	14	24	551	5	5
Commodity	16	0	0	9	0	0
Other	201	17	0	253	1	1
Derivatives held in the banking book	21,210	919	310	25,626	554	1,003
Interest rate	15,442	776	231	19,178	374	850
Equity	1,236	74	34	1,334	57	80
Foreign exchange	4,168	66	44	4,769	122	68
Credit	223	3	1	155	1	1
Other	141	0	0	190	0	4
Total gross amounts	218,943	4,396	3,933	270,334	7,045	7,610
Offset		-2,132	-2,309		-5,326	-4,983
Total		2,263	1,624		1,719	2,626

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

22. Other financial assets held for trading

in EUR million	Dec 21	Dec 22
Equity instruments	84	70
Debt securities	4,125	5,977
Central banks	0	3,045
General governments	3,207	1,575
Credit institutions	699	1,133
Other financial corporations	127	160
Non-financial corporations	92	64
Other financial assets held for trading	4,210	6,047

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

in EUR million	Dec 21		Dec 22	
	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	332	0	347
Debt securities	476	1,499	327	1,223
General governments	36	161	35	170
Credit institutions	435	111	286	119
Other financial corporations	5	1,054	5	864
Non-financial corporations	0	173	0	70
Loans and advances to banks	0	10	0	0
Credit institutions	0	10	0	0
Loans and advances to customers	0	808	1	839
General governments	0	1	0	1
Other financial corporations	0	21	0	26
Non-financial corporations	0	48	1	33
Households	0	737	0	779
Financial assets designated and mandatorily at FVPL	476	2,648	328	2,408
Non-trading financial assets at fair value through profit or loss		3,124		2,735

Erste Group has designated debt securities at FVPL. The maximum exposure to credit risk on these securities is its fair value. At the reporting date the change in fair value that is attributable to changes in credit risk amounts to EUR 6.1 million (2021: EUR 19.0 million) cumulatively and EUR -0.7 million (2021: EUR 11.9 million) for the reporting period.

24. Other financial liabilities held for trading

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

in EUR million	Dec 21	Dec 22
Short positions	785	585
Equity instruments	84	129
Debt securities	702	456
Debt securities issued	64	52
Other financial liabilities held for trading	850	637

25. Financial liabilities at fair value through profit or loss

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

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

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

income'. Gains and losses resulting from changes in fair value are recognised net of the interest expense under the line item 'Gains/losses from financial instruments measured at fair value through profit or loss'.

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

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

in EUR million	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
	Dec 21	Dec 22	Dec 21	Dec 22	Dec 21	Dec 22
Deposits	495	1,353	464	1,356	31	-3
Debt securities issued	9,778	9,310	9,509	10,268	270	-958
Other financial liabilities	191	151	191	151	0	0
Financial liabilities at FVPL	10,464	10,814	10,163	11,775	301	-960

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

in EUR million	For reporting period		Cumulative amount	
	1-12 21	1-12 22	Dec 21	Dec 22
Deposits	0	-4	0	-3
Debt securities issued	-82	-234	269	31
Financial liabilities at FVPL	-82	-238	269	27

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

Debt securities issued

in EUR million	Dec 21	Dec 22
Subordinated debt securities issued	3,419	1,991
Other debt securities issued	6,360	7,319
Bonds	4,098	5,416
Other certificates of deposits/name certificates	824	815
Mortgage covered bonds	1,272	962
Public sector covered bonds	165	126
Debt securities issued	9,778	9,310

Financial instruments – other disclosure matters

26. Fair value of financial instruments

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

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

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

Financial instruments carried at fair value

Description of valuation models and parameters

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently. For financial instruments which have been converted to the new alternative reference rates (see Note 69 Interest Rate Benchmark Reform), the new interest rates are considered for the calculation of fair values.

Loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these loans corresponds to the basic present value technique. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread for senior unsecured issues.

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

Equity instruments. Non-trading equity instruments which have quoted market prices in an active market are valued by using the quoted market price. For other investments in non-trading equity instruments the fair value is determined by standard valuation models using also unobservable input parameters. These models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method.

The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognized in an investee's statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting fair values of the recognized and unrecognized assets and liabilities should therefore represent the fair value of the investee's equity.

The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the levered beta and the country risk premium. The levered beta is derived from the industry classification which is published and maintained by Damodaran.

In rare cases, techniques for non-trading equity instruments may also include comparable company multiple methods. These are valuation techniques that use prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined based on quoted prices in active markets, if available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. Significant input factors for the spread adjustment of Erste Group's

own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. In case of issued securities with structured features, optionality is taken into account as well when calculating the fair value

OTC-derivative financial instruments. Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes and Hull-White type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo simulation. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. For determining the fair value of collateralised derivatives a discounting interest rate reflecting the interest rate of the corresponding cash collateral is used.

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 11.4 million (2021: EUR 14.5million) and the total DVA-adjustment amounted to EUR 21.0 million (2021: EUR 4.4 million).

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

Validation and control

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

Fair value hierarchy

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

Level 1 of the fair value hierarchy

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

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

Level 2 of the fair value hierarchy

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

Level 2 measurements include OTC derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO), own issues and deposits.

Level 3 of the fair value hierarchy

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

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

- _ Derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).
- _ Illiquid bonds, shares, participations and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- _ Loans which do not comply with the contractual cash flow criteria.
- _ Fund units issued by investment funds fully consolidated by Erste Group as well as own issues, if price updates are not provided on a regular basis
- _ Collateralized mortgage obligation (CMO)

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

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

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

in EUR million	Dec 21				Dec 22			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets HFT	1,984	4,443	46	6,473	1,829	5,624	313	7,766
Derivatives	5	2,231	27	2,263	10	1,677	32	1,719
Other financial assets HFT	1,979	2,212	18	4,210	1,820	3,947	281	6,047
Non-trading financial assets at FVPL	1,670	281	1,173	3,124	1,337	200	1,198	2,735
Equity instruments	40	9	283	332	37	33	277	347
Debt securities	1,630	272	72	1,975	1,300	167	82	1,549
Loans and advances	0	0	818	818	0	0	839	839
Financial assets at FVOCI	7,604	807	470	8,881	7,878	1,284	398	9,560
Equity instruments	1	0	131	132	1	0	98	99
Debt securities	7,603	807	339	8,749	7,877	1,283	300	9,460
Hedge accounting derivatives	0	79	0	79	0	155	3	159
Total assets	11,258	5,610	1,689	18,557	11,044	7,263	1,912	20,219
Liabilities								
Financial liabilities HFT	774	1,690	9	2,474	585	2,667	12	3,264
Derivatives	5	1,609	9	1,624	8	2,608	11	2,626
Other financial liabilities HFT	769	81	0	850	578	59	1	637
Financial liabilities at FVPL	325	9,894	245	10,464	0	10,663	151	10,814
Deposits from customers	0	495	0	495	0	1,353	0	1,353
Debt securities issued	325	9,399	54	9,778	0	9,310	0	9,310
Other financial liabilities	0	0	191	191	0	0	151	151
Hedge accounting derivatives	0	307	2	309	0	372	0	372
Total liabilities	1,100	11,891	256	13,247	585	13,702	163	14,451

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

Valuation process for financial instruments categorised as Level 3

The valuation of financial instruments categorized as Level 3 involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking for similar transactions, among others. This involves estimation and expert judgment. Further details regarding input parameters used and the results of the sensitivity analysis are disclosed in the sub-chapter Unobservable inputs and sensitivity analysis for Level 3 measurements below.

Changes in volumes of Level 1 and Level 2

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

in EUR million	Dec 21		Dec 22	
	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1
Financial assets HfT	131	15	34	49
Bonds	131	15	33	48
Funds	0	0	0	0
Shares	0	0	1	1
Non-trading financial assets at FVPL	22	2	15	9
Bonds	21	2	15	6
Funds	1	0	0	2
Shares	0	0	0	1
Financial assets at FVOCI	105	91	407	93
Bonds	105	91	407	93
Total	258	108	456	151

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

Movements in Level 3

Development of fair value of financial instruments in Level 3

in EUR million		Gains/ losses profit or loss	Gains/ losses OCI	Purch- ases	Sales	Settle- ments	Addition to group	Disposal out of group	Transfer into Level 3	Transfer out of Level 3	Currency trans- lation	
	Jan 22											Dec 22
Assets												
Financial assets HFT	46	-27	0	270	-1	0	0	0	42	-17	0	313
Derivatives	27	-22	0	0	0	0	0	0	42	-16	0	32
Other financial assets HFT	18	-5	0	270	-1	0	0	0	0	-1	0	281
Non-trading financial assets at FVPL	1,173	-61	0	862	-42	-671	12	0	23	-39	-58	1,198
Equity instruments	283	-12	0	32	-9	-3	12	0	0	-27	1	277
Debt securities	72	-2	0	12	-3	-10	0	0	23	-11	1	82
Loans and advances	818	-46	0	817	-30	-658	0	0	0	-1	-60	839
Financial assets at FVOCI	470	0	-43	34	-2	-26	0	0	109	-147	3	398
Equity instruments	131	0	-33	0	0	0	0	0	0	0	0	98
Debt securities	339	0	-10	34	-2	-26	0	0	109	-147	3	300
Hedge accounting derivatives	0	3	0	0	0	0	0	0	0	0	0	3
Total assets	1,689	-84	-43	1,165	-46	-697	12	0	174	-203	-55	1,912
Liabilities												
Financial liabilities HFT	9	2	0	3	-2	0	0	0	0	0	0	12
Derivatives	9	2	0	0	0	0	0	0	0	0	0	11
Other trading financial liabilities	0	0	0	3	-2	0	0	0	0	0	0	1
Financial liabilities at FVPL	245	-28	0	85	-95	-1	0	0	0	-55	0	151
Debt securities issued	54	0	0	1	0	0	0	0	0	-55	0	0
Other financial liabilities	191	-28	0	84	-95	-1	0	0	0	0	0	151
Hedge accounting derivatives	2	-2	0	0	0	0	0	0	0	0	0	0
Total liabilities	256	-28	0	88	-97	-1	0	0	0	-55	0	163
	Jan 21											Dec 21
Assets												
Financial assets HFT	85	-14	0	17	-1	0	0	0	1	-42	0	46
Derivatives	75	-14	0	0	0	0	0	0	0	-34	0	27
Other financial assets HFT	10	0	0	17	-1	0	0	0	1	-8	0	18
Non-trading financial assets at FVPL	1,046	-33	0	408	-181	-52	0	0	6	-13	-8	1,173
Equity instruments	282	-8	0	25	-13	0	0	0	2	-6	2	283
Debt securities	77	9	0	3	-15	-3	0	0	4	-5	2	72
Loans and advances	687	-33	0	380	-153	-49	0	0	0	-2	-12	818
Financial assets at FVOCI	376	-2	20	50	-20	-24	0	0	136	-70	5	470
Equity instruments	129	0	20	0	-18	0	0	0	0	0	0	131
Debt securities	248	-2	0	50	-3	-24	0	0	135	-70	5	339
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	1,508	-49	20	475	-202	-77	0	0	143	-126	-3	1,689
Liabilities												
Financial liabilities HFT	2	7	0	0	0	0	0	0	0	0	0	9
Derivatives	2	7	0	0	0	0	0	0	0	0	0	9
Other trading financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Financial liabilities at FVPL	336	3	1	67	-55	-6	0	0	11	-113	0	245
Debt securities issued	155	0	1	0	0	-1	0	0	11	-113	0	54
Other financial liabilities	180	3	0	67	-55	-5	0	0	0	0	0	191
Hedge accounting derivatives	0	2	0	0	0	0	0	0	0	0	0	2
Total liabilities	338	12	1	67	-55	-6	0	0	11	-113	0	256

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

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

in EUR million	1-12 21	1-12 22
Assets		
Financial assets HFT	-13.7	-25.0
Derivatives	-13.3	-20.0
Other financial assets HFT	-0.4	-5.0
Non-trading financial assets at FVPL	-31.6	-51.0
Equity instruments	-9.3	-8.0
Debt securities	11.2	3.2
Loans and advances	-33.5	-46.2
Financial assets at FVOCI	-2.8	-3.4
Debt securities	-2.8	-3.4
Hedge accounting derivatives	0.0	3.4
Total	-48.0	-76.1
Liabilities		
Financial liabilities HFT	-6.8	-0.6
Derivatives	-6.8	-0.6
Other financial liabilities held for trading	0.0	0.0
Financial liabilities at FVPL	-2.2	25.1
Deposits from customers	0.0	0.0
Debt securities issued	1.4	0.0
Other financial liabilities	-3.5	25.1
Hedge accounting derivatives	-2.3	2.4
Total	-11.2	26.9

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurement

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Dec 22					
Positive fair value of derivatives	Forwards, swaps, options	34.5	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.05%-9.81% (5.84%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	7.5	Discounted cash flow	Credit Spread	0.17%-2.25% (0.37%)
	Loans	839.3	Discounted cash flow	PD	0.09%-5.95% (2.17%)
				LGD	0%-25.79% (5.16%)
Financial assets at FVOCI	Fixed and variable coupon bonds	237.7	Discounted cash flow	Credit Spread	0.17%-8.95% (3.22%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	198.6	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.07-1.10 Recreation 1.02-1.03 Real Estate (General/Diversified) 0.89-0.90 Real Estate (Development) 0.81 Financial Svcs. (Non-bank & Insurance) 0.4-1.05 Business & Consumer Services 1.09 Health Resort & Gesundheitszentrum GmbH 0.76 Transportation 1.05-1.06
				Country risk premium	Austria 0.34%-0.49%, Croatia 2.13%, Czech Republic 0.72%, Romania 1.87-2.64%, Slovakia 1.02%, Hungary 1.62%, North Macedonia 3.06% Resulting cost of equity based on above inputs: 6.28%-13.53%
				Adjusted Equity	Depending on accounting equity of investment.
				EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
		127.6	Adjusted Net Asset Value		
Dec 21					
Positive fair value of derivatives	Forwards, swaps, options	59.6	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.17%-100% (5.34%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	16.6	Discounted cash flow	Credit Spread	0.45%-2.93% (0.51%)
	Loans	817.8	Discounted cash flow	PD	0.09%-7.27% (3.10%)
				LGD	0%-46.22% (13.62%)
Financial assets at FVOCI	Fixed and variable coupon bonds	443.7	Discounted cash flow	Credit Spread	0.01%-6.52% (0.90%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	249.3	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.04-1.10 Recreation 0.96 Real Estate (General/Diversified) 0.78 Real Estate (Operations & Services) 0.63 Financial Svcs. (Non-bank & Insurance) 0.91-1.06 Banks (Regional) 0.57 Health Resort & Gesundheitszentrum GmbH 0.66
				Country risk premium	Croatia 2.21%, Austria 0.33%-0.35%, Czech Republic 0.53%, Romania 1.95%, Russia 1.82%, Slovakia 0.75%, Hungary 1.95%, North Macedonia 2.97% Resulting cost of equity based on above inputs: 5.48% 13.03%
				Adjusted Equity	Depending on accounting equity of investment.
				EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
		147.9	Adjusted Net Asset Value		

In addition to the information above, equity instruments with a fair value in amount of EUR 26.4 million (2021: EUR 23.3 million) are assessed on the basis of expert opinions.

Furthermore, for equity instruments other than participations classified as Level 3, the amount of EUR 40.8 million (2021: EUR 39.5 million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Sensitivity analysis using reasonably possible alternatives per product type

in EUR million	Dec 21		Dec 22	
	Fair value changes		Fair value changes	
	Positive	Negative	Positive	Negative
Derivatives	3.1	-5.3	2.9	-3.4
Income statement	3.1	-5.3	2.9	-3.4
Debt securities	21.6	-28.8	10.0	-13.3
Income statement	3.3	-4.4	2.4	-3.2
Other comprehensive income	18.3	-24.4	7.6	-10.1
Equity instruments	106.6	-70.4	64.8	-49.8
Income statement	58.0	-43.8	42.9	-35.4
Other comprehensive income	48.6	-26.6	21.9	-14.4
Loans and advances	17.9	-45.7	15.7	-46.4
Income statement	17.9	-45.7	15.7	-46.4
Total	149.2	-150.2	93.4	-112.9
Income statement	82.3	-99.2	63.9	-88.4
Other comprehensive income	66.9	-51.0	29.5	-24.5

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

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

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

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

in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Dec 22					
Assets					
Financial assets at AC	253,360	240,268	31,703	3,699	204,867
Loans and advances to banks	18,435	18,138	0	0	18,138
Loans and advances to customers	194,313	186,501	0	0	186,501
Debt securities	40,612	35,630	31,703	3,699	228
Finance lease receivables	4,553	4,499	0	0	4,499
Trade and other receivables	2,404	2,389	0	0	2,389
Liabilities					
Financial liabilities at AC	278,932	276,200	12,875	12,293	251,032
Deposits from banks	28,821	28,290	0	0	28,290
Deposits from customers	222,620	221,224	0	0	221,224
Debt securities issued	26,593	25,789	12,875	12,293	621
Other financial liabilities	899	898	0	0	898
Financial guarantees and commitments					
Financial guarantees	n/a	47	0	0	47
Loan commitments	n/a	529	0	0	529
Dec 21					
Assets					
Financial assets at AC	229,641	231,575	30,887	3,922	196,766
Loans and advances to banks	20,991	21,193	0	0	21,193
Loans and advances to customers	173,099	175,356	0	0	175,356
Debt securities	35,551	35,026	30,887	3,922	217
Finance lease receivables	4,209	4,214	0	0	4,214
Trade and other receivables	2,152	2,158	0	0	2,158
Liabilities					
Financial liabilities at AC	265,415	265,141	10,447	11,262	243,432
Deposits from banks	31,886	31,807	0	0	31,807
Deposits from customers	210,029	209,704	0	0	209,704
Debt securities issued	22,352	22,481	10,447	11,262	772
Other financial liabilities	1,149	1,149	0	0	1,149
Financial guarantees and commitments					
Financial guarantees	n/a	4	0	0	4
Loan commitments	n/a	998	0	0	998

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

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted. The fair values of debt securities at amortised cost are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

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

The fair value of issued securities and subordinated liabilities measured at amortized cost is determined based on quoted prices in active markets, if available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. Significant input factors for the spread adjustment of Erste Group's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. Moreover optionality is taken into account when calculating the fair value.

For off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) the following fair value approaches are applied: the fair value of unused loan commitments is estimated using regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated total fair value and the notional amount of the hypothetical loan equivalents represents the fair value of the unused loan commitments. In case of the total fair value being higher than the notional amount of the hypothetical loan equivalents the unused loan commitments have a positive fair value. The fair value of financial guarantees is

estimated in analogy to credit default swaps. The fair value of the guarantee is the sum of the present value of the protection leg and the present value of the premium leg. The value of the protection leg is estimated using the PDs and LGDs of the respective customers, whereas the value of the premium leg is estimated by the present value of the future fee payments to be received. If the protection leg is higher than the premium leg, financial guarantees have a negative fair value.

27. Hedge accounting

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

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

i. Fair value hedges

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

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

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

ii. Cash flow hedges

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

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

Hedges of interest rate risk

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

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

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

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

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

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

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

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

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

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

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

For cash flow hedges of deposits with central banks (disclosed under the line 'Interbank loans/repos' below) no forward looking curve over the hedging period exists for the hedged interest rates (such as DFR of the ECB or two-week repo rate of the CNB). In such cases the hedged risk is replicated by another rate for which the forward-looking curve exists (such as €STR swap curve or 1M PRIBOR swap curve). A proof of a strong correlation between the rates is necessary.

The designated hedging relationships normally correspond to the economic hedges set up by ALM when managing the interest rate risk. However, in some cases, the hedging derivatives may not be directly related to specific assets or liabilities but they manage the overall

interest risk position. Also, the derivatives may relate to instruments which do not qualify as hedged items under the IFRS hedge accounting requirements. In order to account for risk mitigating effects of such derivatives Erste Group searches for suitable hedged items providing the best fit to the terms of the derivative and designates an effective hedging relationship (so called proxy hedges). Typically cash flow hedges of variable rate assets are designated on such a basis whereby the actual economically hedged risk may result from modelled fixed rate profile of demand deposit liabilities.

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

Sources of hedge ineffectiveness can result from:

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

Notional amounts of hedged items - hedges of interest rate risk

		Notional amount	
in EUR million	Type of hedged items	Dec 21	Dec 22
Fair value hedges			
Assets	Portfolios of client loans	240	243
Assets	Single loans	303	294
Assets	Bonds at FVOCI	983	1,005
Assets	Bonds at AC	1,064	1,107
Liabilities	Issued bonds	12,931	16,563
Liabilities	Other liabilities/repos	50	47
Cash flow hedges			
Assets	Interbank loans/repos	1,337	1,947
Assets	Client loans	1,721	1,764

Portfolio hedges of defined bottom layer amounts (bottom layer hedges) are disclosed in the table with the nominal hedged bottom layer amounts. Client loans hedged in portfolio hedges are disclosed in the balance sheet line item 'Financial assets measured at amortised cost', with a carrying amount of EUR 599.6 million (2021: EUR 523.7 million).

Hedges of foreign exchange risk

The objective of foreign exchange risk management in the banking book is to avoid unfavorable market movements of foreign exchange rates which could impact profit or loss of Erste Group. Only a minor part of foreign exchange risk management activities requires using of hedge accounting. Currently bonds and loans with notional amount of EUR 1,616 million (2021: EUR 946 million) are hedged in cash flow hedges by using cross currency swaps as hedging instruments. FX swaps with notional amount of EUR 151 million (2021: EUR 0.0 million) are used as hedging instrument in hedges of interest accruals on financial assets in foreign currency.

Quantitative disclosures

In the tables below, detailed information related to hedging instruments and hedged items in fair value and cash flow hedges as of 31 December 2022 are reported. The indicated values for fair value hedges include single hedges as well as portfolio hedges, which due to immateriality are not shown separately.

Hedging instruments

in EUR million	Carrying amount		Change in FV for the period used for calculating hedge ineffectiveness	Notional	Timing of the nominal amounts of the instruments			
	Assets	Liabilities			≤ 3 m	> 3 m and ≤ 1 y	> 1 y and ≤ 5 y	> 5 y
Dec 22								
Fair value hedges	403	2,073	-1,600	19,662	869	79	9,903	8,811
Interest rate risk	403	2,073	-1,600	19,662	869	79	9,903	8,811
Cash flow hedges	94	175	70	5,113	176	497	4,171	269
Interest rate risk	7	175	36	3,670	0	339	3,331	0
Foreign exchange risk	87	0	34	1,443	176	158	840	269
Total gross amounts	497	2,248	-1,529	24,776	1,045	576	14,074	9,080
Offset	-338	-1,876						
Total	159	372	-1,529	24,776	1,045	576	14,074	9,080
Dec 21								
Fair value hedges	319	344	-232	15,988	1,012	17	6,647	8,312
Interest rate risk	319	344	-232	15,988	1,012	17	6,647	8,312
Cash flow hedges	6	183	-305	4,003	182	77	3,280	464
Interest rate risk	0	149	-234	3,057	182	60	2,685	129
Foreign exchange risk	6	35	-71	946	0	16	594	335
Total gross amounts	325	527	-537	19,991	1,195	94	9,927	8,776
Offset	-246	-218	0	0	0	0	0	0
Total	79	309	-537	19,991	1,195	94	9,927	8,776

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

Hedged items in fair value hedges

in EUR million	Carrying amount	Hedge adjustments		
		included in the carrying amount	Thereof: for the period used for recognition of hedge ineffectiveness	Remaining adjustments for terminated hedges
Dec 22				
Financial assets at FVOCI				
Interest rate risk	915	-79	-134	8
Financial assets at AC				
Interest rate risk	1,807	-303	-324	16
Financial liabilities at AC				
Interest rate risk	15,370	-1,892	2,047	73
Dec 21				
Financial assets at FVOCI				
Interest rate risk	1,040	53	-37	12
Financial assets at AC				
Interest rate risk	2,036	19	-100	19
Financial liabilities at AC				
Interest rate risk	13,636	90	365	96

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

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

Hedged items in cash flow hedges

in EUR million	Change in FV for the period used for calculating hedge ineffectiveness	Cash flow hedge reserve for continuing hedges	Cash flow hedge reserve for terminated hedges
Dec 22			
Interest rate risk	-36	-29	-207
Foreign exchange risk	-55	4	-10
Total	-91	-25	-217
Dec 21			
Interest rate risk	217	-156	-12
Foreign exchange risk	66	-85	0
Total	282	-240	-12

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

in EUR million	Hedge ineffectiveness recognised in P&L	Hedging gains/losses recognized in OCI	Cash flow hedge reclassified to profit or loss because	
			the hedged item has affected profit or loss	the hedged future cash flows are no longer expected to occur
Dec 22				
Fair value hedges				
Interest rate risk	-11	0	0	0
Cash flow hedges				
Interest rate risk	0	37	-98	0
Foreign exchange risk	0	34	46	0
Total	-11	71	-52	0
Dec 21				
Fair value hedges				
Interest rate risk	-4	0	0	0
Cash flow hedges				
Interest rate risk	-7	-228	-3	0
Foreign exchange risk	-1	-70	0	0
Total	-11	-298	-3	0

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

Application of the Interest Rate Benchmark Reform for hedge accounting

Interest rate benchmark reform and its impact on Erste Group are described in Note 69 Interest Rate Benchmark Reform. Regarding hedge accounting, Erste Group considers that it is exposed to uncertainties resulting from the reform in respect of its hedges of USD LIBOR interest risk. Hedging instruments with nominal amount USD 50 million (EUR 47 million) (2021: USD 50 million (EUR 44 million)) designated in fair value hedges of bonds acquired and nominal amount USD 150 million (EUR 141 million) (2021: USD 150 million (EUR 132 million)) designated in fair value hedges of debt securities issued are affected. Their hedging period reaches beyond the cessation date of the respective LIBOR rates (30 June 2023 for USD LIBOR 1M, 3M, 6M and 12M tenors).

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

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

CHF LIBOR rates ceased to be published at the end of 2021 and have been replaced by SARON rates. Hedging instruments with nominal amount of CHF 200 million (EUR 194 million) designated in fair value hedges of debt securities issued were affected by the replacement. In line with the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 issued in August 2020, the designation and documentation of these hedges was updated and all the impacts from the valuation changes were recognised immediately in profit or loss in 2021 without terminating the hedges.

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

28. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Financial assets and liabilities subject to offsetting and potential offsetting agreements

in EUR million	Financial assets/liabilities (gross)	Amounts offset (gross)	Financial assets/liabilities in balance sheet (net)	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received/pledged	Other financial collateral received/pledged	
Dec 22							
Assets							
Derivatives	7,542	5,664	1,877	1,111	461	0	305
Variation margin assets	1,448	1,448	0	0	0	0	0
Reverse repurchase agreements	15,169	0	15,169	0	73	15,056	40
Total	24,158	7,112	17,046	1,111	535	15,056	345
Liabilities							
Derivatives	9,858	6,859	2,999	1,111	242	192	1,454
Variation margin liabilities	257	253	3	0	0	0	3
Repurchase agreements	3,201	0	3,201	0	8	3,160	33
Total	13,316	7,112	6,204	1,111	250	3,352	1,490

in EUR million	Financial assets/liabilities (gross)	Amounts offset (gross)	Financial assets/liabilities in balance sheet (net)	Potential effects of netting agreements not qualifying for balance sheet offsetting			Net amount after potential offsetting
				Financial instruments	Cash collateral received/pledged	Other financial collateral received/pledged	
Dec 21							
Assets							
Derivatives	4,721	2,379	2,342	1,127	729	0	487
Variation margin assets	332	328	4	0	0	0	4
Reverse repurchase agreements	16,777	0	16,777	0	8	16,492	276
Total	21,829	2,707	19,123	1,127	737	16,492	767
Liabilities							
Derivatives	4,460	2,527	1,933	1,127	251	70	486
Variation margin liabilities	181	180	1	0	0	0	1
Repurchase agreements	1,586	0	1,586	0	2	1,584	0
Total	6,227	2,707	3,520	1,127	253	1,654	487

Compared to the 2021 financial statements the tables were amended and the information about the variation margin assets and liabilities which was previously disclosed in the text is provided directly in the tables.

The impact of offsetting is shown in the column 'Amounts offset (gross)'.

Erste Group undertakes interest rate derivative transactions via London Clearing House and EUREX, credit derivative transactions via ICE Clear Europe Ltd by fulfilling all offsetting requirements according IAS 32. Offsetting is carried out between gross asset and liability derivative positions. The net derivative position is further offset with variation margin amounts. As a result, the offsetting of derivatives has to be viewed in relation to the variation margin assets and liabilities balances. The sum of the amounts offset in the lines 'Derivatives' and 'Variation margin assets' in the table for financial assets equals the sum of the amounts offset in the lines 'Derivatives' and 'Variation margin liabilities' in the table for financial liabilities. The variation margin assets are presented under the balance sheet items 'Cash and cash balances'. The variation margin liabilities are presented under the balance sheet item 'Financial liabilities measured at amortised cost', sub-item 'Deposits from banks'.

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

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

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

Repurchase and reverse repurchase agreements

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

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

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

Securities lending and borrowing

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

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

in EUR million	Dec 21		Dec 22	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	753	739	1,882	1,650
Financial assets at AC	573	559	1,455	1,219
Trading assets	50	50	38	39
Financial assets at FVOCI	130	130	390	392
Securities lendings	982	0	671	0
Financial assets at AC	659	0	306	0
Trading assets	323	0	57	0
Financial assets at FVOCI	0	0	309	0
Total	1,735	739	2,554	1,650

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

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

in EUR million	Dec 21			Dec 22		
	Fair value of transferred assets	Fair value of associated liabilities	Net position	Fair value of transferred assets	Fair value of associated liabilities	Net position
Financial assets at AC	572	559	13	1,297	1,221	76
Trading assets	50	50	0	38	39	-1
Financial assets at FVOCI	130	130	0	390	392	-2
Total	752	739	13	1,724	1,651	73

30. Financial assets pledged as collaterals

Carrying amount of financial assets pledged as collaterals

in EUR million	Dec 21	Dec 22
Financial assets at AC	41,386	43,141
Trading assets	380	99
Non-trading financial assets at FVPL	0	25
Financial assets at FVOCI	488	932
Total	42,254	44,196

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

The fair value of collateral received which may be repledged or resold even without the collateral provider's default was EUR 16,431.5 million (2021: EUR 18,500.3 million). Collateral with fair value of EUR 3,410.0 million (2021: EUR 1,122.8 million) was resold or repledged. The bank is obliged to return the resold and repledged collateral.

31. Securities

in EUR million	Dec 21					Dec 22				
	At AC	Trading assets	Financial assets			At AC	Trading assets	Financial assets		
			Mandatorily at FVPL	Designated at FVPL	At FVOCI			Mandatorily at FVPL	Designated at FVPL	At FVOCI
Bonds and other interest-bearing securities	35,551	4,125	1,499	476	8,749	40,612	5,977	1,223	327	9,460
Listed	33,027	1,841	701	98	6,832	38,587	1,779	614	52	7,714
Unlisted	2,524	2,284	798	379	1,917	2,025	4,198	609	275	1,747
Equity-related securities	0	84	332	0	132	0	70	347	0	99
Listed	0	76	113	0	56	0	64	132	0	41
Unlisted	0	9	219	0	77	0	6	215	0	58
Total	35,551	4,210	1,830	476	8,881	40,612	6,047	1,569	327	9,560

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

Risk and capital management

32. Financial risk management

Risk policy and strategy

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

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

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

Risk management organisation

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

In 2022 the only organizational change on B-1 level in the CRO area was the transfer of the Group Legal division to the CEO area in order to bundle all legal/regulatory responsibilities within one board area. Other than that, the structure established in 2020 was continued and strengthened.

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

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

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

- _ Group Liquidity and Market Risk Management;
- _ Enterprise wide Risk Management;
- _ Credit Risk Methods;
- _ Group Compliance;
- _ Retail Risk Management:
- _ Credit Risk Portfolio;
- _ Corporate Risk Management;
- _ Group Legal (until end of October 2022);
- _ Cyber Risk Management;
- _ Local Chief Risk Officers.

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

Furthermore, certain cross-divisional committees were established with the purpose of carrying out risk management activities in Erste Group.

- _ Risk Committee of the Supervisory Board;
- _ CRO Board;
- _ Holding Credit Committee;
- _ Market Risk Committee;
- _ Operative Market Risk Committee;
- _ Strategic Risk Executive Committee;
- _ Strategic Risk Management Committee;
- _ Stress Testing Committee;
- _ Group Resolution Committee;
- _ United States Risk Committee;
- _ Regional Operational Conduct Committee;
- _ Group IT Risk & Security Committee;
- _ Group Asset/Liability Committee;
- _ Operational Liquidity Committee;
- _ Banking Book Committee.

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

Group-wide risk and capital management

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

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

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

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

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

Risk appetite

Risk appetite defines the maximum level of risk Erste Group is willing to accept in pursuing its business goals. The overall approach includes a risk appetite statement, risk limits, and the roles and responsibilities of those overseeing the implementation and monitoring of the risk appetite framework. Limit framework (i.e., risk appetite framework) of Erste Group includes risk limits set in Risk Appetite Statement and Risk Strategy, industry limits, maximum lending limits and operational limits.

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

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

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

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

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

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

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

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

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

Group RAS 2022 was approved by the management board and the risk committee of the supervisory board and acknowledged by the supervisory board in the last quarter of 2021.

ESG risks are embedded in the Risk Appetite Statement and in the risk strategy and are also part of Erste Group's Risk Materiality Assessments. They are integrated into Erste Group's risk taxonomy as transversal risks (risk types that have impact and are reflected through more than one key risk category) and are included in the relevant risk categories credit, market, liquidity and operational risk. Erste Group's definition of ESG risk is part of the Group ICAAP guideline and covers a wide range of risks arising from environmental, social and governance factors.

Portfolio and risk analytics

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

Risk materiality assessment

The Risk Materiality Assessment (RMA) determines the materiality of risk types and consequently the risk profile across Erste Group. RMA is an annual process with the purpose of systematic identification of new and assessment of all risks for the Group. Senior management may require to perform RMA on ad hoc basis in addition, in order to address changing operating environment or emerging risks (e.g., interim RMA performed in the second semester due to Russia-Ukraine war). As such, the RMA is an integral part of the ICAAP and serves as a steering tool for senior management.

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

Risk concentration analysis

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

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

Stress testing

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

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

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

In 2022, Erste Group participated in the ECB's first Climate Stress Test, part of the wider "Climate roadmap". Participation in this stress test was an important learning experience. Following the conclusion of this first climate stress test, Erste Group has taken steps to integrate climate risk into the internal stress testing framework. In particular, both physical risk and transition risk from projected climate change are now included in the internal stress testing framework.

Results from Erste Group's internal stress tests are analysed in order to decide on appropriate measures and inform the bank steering. The internal comprehensive stress tests performed in 2022 indicated no breach of stressed RAS triggers after the application of scenario contingent measures in the final two years of adverse scenario.

Risk-bearing capacity calculation

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

Besides the Pillar 1 risk types (credit, market in trading book, FX in banking book and operational risks), interest rate risk in the banking book, credit spread risk in the banking book, risk from repayment vehicles as well as business risk are explicitly considered within the economic capital calculated over a horizon of one year and at a confidence level of 99.92%. For the calculation of the economic capital, Erste Group uses, where possible, more risk sensitive/advanced methodologies tailored to its individual risk profile and specificities of the Group's individual risk exposures. Diversification effects between risks (inter-risk diversification) are not considered, reflecting the Group's prudent approach to maintain sufficient internal capital in times when correlations between risks may change dramatically (like in times of stress). The largest portion of economic capital requirements is coming from credit risk, which accounts for 72.3% of total economic capital requirements at the end of 2022.

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

The coverage potential must be sufficient to absorb Pillar 2 risks/unexpected losses resulting from the Group's operations at any point in time (normal and stressed), as reflected in the Group's Risk Appetite through the limits set for Group economic capital adequacy and stressed capital adequacy utilisation. At the end of 2021, the economic capital adequacy was at 65.9%, fully in line with group RAS.

The management board and supervisory board (including risk committee of supervisory board) are briefed quarterly on the results of the ICAAP capital adequacy through the Group Risk Report and the Risk Dashboard. The former includes risk profile developments, available

capital (coverage potential), consideration of potential losses in stress situations, the degree of the risk limit utilisation and the overall status of capital adequacy. The latter outlines risk profile development in relation to risk appetite.

Risk planning

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

Methods and instruments applied

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

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

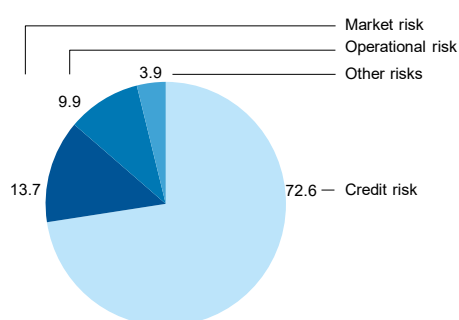
Capital allocation

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

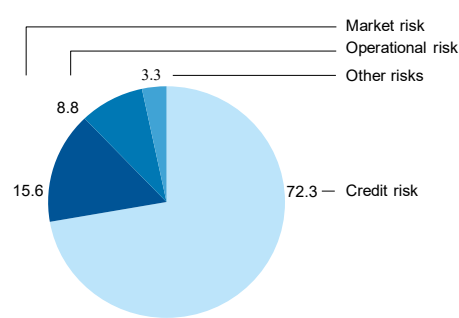
Erste Group's aggregate capital requirements by risk type

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

Economic capital allocation (in %)
31 December 2021



Economic capital allocation (in %)
31 December 2022



Other risks include business risk.

Recovery and resolution plans

The Directive (EU) 2014/59 as amended (Bank Recovery and Resolution Directive – BRRD) has been implemented in Austria into national law by the Austrian Recovery and Resolution Act (“Sanierungs- und Abwicklungsgesetz – BaSAG”). On 7 June 2019 a legislative package (EU Banking Package) was published in the Official Journal of the EU. The EU Banking Package comprises the Directive (EU) No 2013/36 (CRD IV), and the Regulation (EU) No 575/2013 (CRR) as well as the BRRD and the Regulation (EU) No 806/2014 as amended (SRMR). The EU Banking Package entered into force on 27 June 2019 and was amended into national legislation in AT on 28 June 2021.

Recovery Planning. In compliance with the current Austrian Banking Recovery and Resolution Law (“Bundesgesetz über die Sanierung und Abwicklung von Banken – BaSAG”), Erste Group annually submits a Group Recovery Plan to Joint Supervisory Team (JST). The Group Recovery Plan is regularly assessed by ECB. The Group Recovery Plan identifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of severe scenarios including both idiosyncratic and market-wide stress. The Recovery Framework is mainly reconciled with the Risk Appetite Framework across indicators and indicator thresholds, ensuring comprehensive enterprise-wide risk management. It is relevant to demonstrate that in a severe stress, which is close to a failing or likely to fail situation, there is sufficient recovery capacity available in order to be able to recover back into the recovery green zone. The recovery governance described in the plan ensures timely identification and proper management of a recovery situation of Erste Group. Furthermore, the assessment of the Group Recovery Plan and the assessment of the overall recovery capacity are part of the Supervisory Review and Evaluation Process (SREP) assessment.

Resolution Planning. Erste Group collaborates with the resolution authorities in the drawing up of resolution plans as required by BaSAG and EU Regulation No 806/2014 establishing the Single Resolution Mechanism (SRM Regulation). The legislative framework allows for a multiple-point-of-entry (MPE) or a single-point-of-entry (SPE) resolution strategy. The Resolution Authorities formed a joint decision in

the resolution college for Erste Group which defines the MPE approach forming six separate resolution groups with Erste Group's core CEE subsidiaries and Austria, but with SPE approaches on country level. This results in having resolution groups in AT, CZ, HR, HU, RO and SK. Under the MPE strategy, a group has more than one Resolution Entity Level which is the entry point for resolution. The resolution plans (including resolution strategy and MREL decisions) are regularly updated by the Resolution Authorities and subject to Joint Decision formed in a resolution college by Resolution College Members.

MREL. The Bank Recovery and Resolution Directive (BRRD) introduced the Minimum Requirement for Own Funds and Eligible Liabilities (MREL). MREL notifications are provided by the national resolution authorities on the level of resolution groups and relevant individual subsidiaries of resolution entities, reflecting the resolution strategy, based on the MREL joint decision taken by the resolution college. MREL requirements are expressed as a percentage of the total risk exposure amount (TREA) as well as leverage ratio exposure (LRE).

Based on the MREL joint decisions taken, the National Resolution Authorities provided their legal notifications. In May 2022, Erste Group received Joint Decision determining the minimum requirement for own funds and eligible liabilities for its resolution groups and some non-resolution entities (i.e., subsidiaries of resolution entities). The requirement is set including binding intermediate requirements as of 1 January 2022 and binding requirements as of 1 January 2024. Information on MREL targets have been published on the local entities' website based on legal notifications released by the relevant national resolution authorities. MREL metric is integrated into the RAS and Recovery Framework of Erste Group.

33. Own funds and capital requirements

Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory own funds and the regulatory capital requirements according to the Capital Requirements Regulation (CRR, Regulation (EU) No. 575/2013) and the Capital Requirement Directive (CRD IV, Directive (EU) 2013/36/EU)¹. Both the CRD IV and CRD V² were transposed into national law in the Austrian Banking Act (ABA).

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

Furthermore Erste Group also fulfils capital requirements determined in the Supervisory Review and Evaluation Process (SREP).

Accounting Principles

The financial and regulatory figures published by Erste Group are based on IFRS. Eligible capital components are derived from the balance sheet and income statement which were prepared in accordance with IFRS.

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

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

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

Consolidated own funds

Own funds according to CRR consist of 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 items of own funds as disclosed are also used for internal capital management purposes, except AT1 and T2 capital instruments. Erste Group fulfilled the capital requirements throughout the reporting period.

Beside the regulatory minimum capital ratios also capital buffers according to ABA and regulations of the Financial Market Authority (FMA) need to be considered.

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 ABA (BGBl I 2021/98; BWG-Novelle) which entered into force on 31 May 2021.

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). As a result of the 2021 SREP process performed by the European Central Bank (ECB) Erste Group applies a Pillar 2 requirement (P2R) of 1.75% as of 31. December 2022.

Following the SREP 2021, Erste Group is expected to meet a Pillar 2 Guidance (P2G) of 1.0% with CET1, valid as of 1 January 2022 onwards.

Overview of capital requirements and capital buffers

	Dec 21	Dec 22
Pillar 1		
Minimum CET 1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirement	8.00%	8.00%
Combined buffer requirement (CBR)	4.68%	4.91%
Capital conservation buffer	2.50%	2.50%
Countercyclical capital buffer	0.18%	0.41%
Systemic risk buffer	1.00%	1.00%
O-SII capital buffer	1.00%	1.00%
Minimum CET 1 requirement (incl.CBR)	9.18%	9.41%
Minimum Tier 1 requirement (incl.CBR)	10.68%	10.91%
Minimum Own Funds requirement (incl.CBR)	12.68%	12.91%
Pillar 2	1.75%	1.75%
Minimum CET1 requirement	0.98%	0.98%
Minimum T1 requirement	1.31%	1.31%
Minimum Own Funds requirement	1.75%	1.75%
Total CET 1 requirement for Pillar 1 and Pillar 2	10.16%	10.40%
Total Tier 1 requirement for Pillar 1 and Pillar 2	11.99%	12.23%
Total Capital requirement for Pillar 1 and Pillar 2	14.43%	14.66%

Capital structure

in EUR million	Dec 21		Dec 22	
	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	14,156	14,156	15,425	15,425
Accumulated other comprehensive income	-1,706	-1,706	-1,820	-1,820
Minority interest recognised in CET1	5,219	5,219	5,866	5,866
Common equity tier 1 capital (CET1) before regulatory adjustments	20,006	20,006	21,808	21,808
Own CET1 instruments	-263	-263	-87	-87
Prudential filter: cash flow hedge reserve	206	206	197	197
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	207	207	23	23
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-4	-4	-21	-21
Value adjustments due to the requirements for prudent valuation	-86	-86	-104	-104
Securitizations with a risk weight of 1,250%	-33	-33	-31	-31
Goodwill	-550	-550	-556	-556
Other intangible assets	-392	-392	-386	-386
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-178	-178	-219	-219
CET1 capital elements or deductions – other	-109	-109	-180	-180
Common equity tier 1 capital (CET1)	18,804	18,804	20,443	20,443
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1	2,236	2,236	2,236	2,236
Instruments issued by subsidiaries that are given recognition in AT1	7	7	6	6
Additional tier 1 capital (AT1) before regulatory adjustments	2,243	2,243	2,243	2,243
Own AT1 instruments	-1	-1	-1	-1
Additional tier 1 capital (AT1)	2,241	2,241	2,241	2,241
Tier 1 capital = CET1 + AT1	21,045	21,045	22,684	22,684
Tier 2 capital (T2)				
Capital instruments eligible as T2	3,065	3,065	2,782	2,782
Instruments issued by subsidiaries recognised in T2	173	173	195	195
Transitional adjustments due to grandfathered T2 instruments	50	0	0	0
IRB excess of provisions over expected losses eligible	522	522	575	575
Tier 2 capital (T2) before regulatory adjustments	3,811	3,760	3,552	3,552
Own T2 instruments	-47	-47	-51	-51
Tier 2 capital (T2)	3,763	3,713	3,500	3,500
Total own funds	24,808	24,758	26,184	26,184
Capital requirement	10,196	10,372	11,343	11,514
CET1 capital ratio	14.8%	14.5%	14.4%	14.2%
Tier 1 capital ratio	16.5%	16.2%	16.0%	15.8%
Total capital ratio	19.5%	19.1%	18.5%	18.2%

The column “Phased-in” shows the amounts considered according to CRR phase-in regulations considering the transitional provisions. The column “Final” discloses the amounts under full implementation of the CRR.

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

Risk structure

in EUR million	Dec 21		Dec 22	
	Total risk (phased-in)	Capital requirement (phased-in)	Total risk (phased-in)	Capital requirement (phased-in)
Total Risk Exposure Amount	127,448	10,196	141,793	11,343
Risk weighted assets (credit risk)	105,869	8,470	116,730	9,338
Standardised approach	18,869	1,510	20,945	1,676
IRB approach	86,994	6,959	95,780	7,662
Contribution to the default fund of a CCP	7	1	5	0
Settlement Risk	0	0	11	1
Trading book, foreign FX risk and commodity risk	3,671	294	7,027	562
Operational Risk	14,786	1,183	14,831	1,187
Exposure for CVA	390	31	418	33
Other exposure amounts (incl. Basel 1 floor)	2,730	218	2,775	222

in EUR million	Dec 21		Dec 22	
	Total risk (final)	Capital requirement (final)	Total risk (final)	Capital requirement (final)
Total Risk Exposure Amount	129,647	10,372	143,926	11,514
Risk weighted assets (credit risk)	108,068	8,645	118,863	9,509
Standardised approach	19,809	1,585	21,942	1,755
IRB approach	88,252	7,060	96,916	7,753
Contribution to the default fund of a CCP	7	1	5	0
Settlement Risk	0	0	11	1
Trading book, foreign FX risk and commodity risk	3,671	294	7,027	562
Operational Risk	14,786	1,183	14,831	1,187
Exposure for CVA	390	31	418	33
Other exposure amounts (incl. Basel 1 floor)	2,730	218	2,775	222

The position Other exposure amounts includes a RWA-add-on in view of the calculation of risk-weighted assets for credit risk in Banca Comercială Română (BCR). This RWA increase front-loads the expected difference in BCR between the treatments of exposures under the Standardised Approach compared to the treatment under IRB and is limited in time until the authorization of the IRB-approach in BCR (expected in 2023).

Furthermore it considers a RWA add-on linked to the limitation related to the group-wide PD estimation methodology.

34. Credit risk: credit risk review and monitoring

Credit risk strategy

In 2022, management attention was dedicated to the evolving Russia-Ukraine conflict, which poses serious threats to the European but also global economy. Erste Group is not directly impacted, as it has no operating presence in geopolitical region of Russia or Ukraine and also direct exposure to these two markets is immaterial. Still, a number of ad hoc risk management activities was undertaken in order to evaluate, actively steer and mitigate indirect impact on the capital position and risk profile. All stress scenarios, including “no gas from Russia”, would have manageable impact on the Group risk profile, keeping all capital ratios above the limits.

ESG Risk management

Environmental, Social and Governance (ESG) risks remained one of the top priorities also in 2022.

Erste Group integrates ESG factors in its risk management and industry strategy framework. In the first place, the Erste Group ESG Factor Heatmap is used as a screening instrument to identify certain segments (out of the existing segmentation) that may be exposed to ESG risk factors and determine those industries which are more vulnerable to ESG risks. Erste Group establishes industry strategies and lending standards to support the steering of the portfolio under considerations of ESG risks; both are the basis for decisions, which determine which clients and transactions fit into the Group's portfolio.

Secondly, the Group has established an ESG risk framework for the assessment of material ESG factors, related risks and appropriateness of the mitigating strategies in the credit and rating processes. In this manner, the Group takes ESG risk criteria into account, when making credit decisions.

For large corporate, commercial real estate and commercial residential real estate transactions, the Group conducts a systemic ESG analysis via an internal digital ESG Assessment questionnaire. The questionnaire is a mandatory prerequisite in the loan origination and monitoring process. Through this assessment, the Group is able to determine to which extent a client's ESG strategy is aligned with Erste Group's respective industry strategies. By providing a comprehensive ESG risk assessment, Erste Group is able to determine how certain ESG factors may have a positive or negative impact on the financial performance of clients. The questionnaire enables the Group to identify clients' ESG risks or opportunities. Questions cover various dimensions, such as greenhouse gas emissions, impact of carbon prices on profitability, transition related CAPEX, waste, water consumption, biodiversity, physical risk impact, workers and human rights, as well as governance topics, to name a few. For clients that are identified as high ESG risk, a deep-dive assessment is triggered to understand the nature and severity of the risks to which the client is exposed. The questionnaire forms an integral part of the credit application and is updated at least annually, allowing Erste Group to understand the client's business model in the context of carbon transition.

Furthermore, ESG relevant data is collected for certain types of collateral, as defined in the Group Collateral Management Policy for real estate collateral valuations, documentation and reporting purposes. Environmental aspects which affect the value of the collateral have to be included in the real estate valuations, which can lead to a higher or lower valuation result. Moreover, any risks arising from social (e.g., location and transportation, mass urbanisation – being indicators for easy accessibility for people) and governance factors (such as bribery or legal proceedings) have to be considered as well. For commercial real estate assets, the questionnaire additionally includes an assessment of the building's environmental footprint, providing an internal Technical Object Rating, as well as an assessment of the location sustainability based on ESG relevant criteria.

Regarding internal models a respective project to define and collect relevant climate risk drivers for all rating systems has started in 2022 to ensure the explicit consideration of climate risks in future model development initiatives. For the LGD models, climate risk is indirectly reflected via the collateral value.

Erste Group recognizes additional challenges caused by the ESG (environmental, social and governance) risks. The bank is in the process of analyses how these risks can be incorporated into ECL measurement. In the Risk Materiality Assessment, climate and environment-related risks are overall assessed as medium. This assessment is driven by the "Transition Risk" analysis as a small percentage of the portfolio still has high greenhouse gas emissions and would therefore be exposed to increased risk in the event of a disorderly transition scenario. Disorderly transition scenario was considered in the FLI downside (please see description of comprehensive stress test scenario in the "Measurement of expected credit loss" chapter). Erste Group further analyses if ESG overlays are necessary in the future. Consideration through FLI scenario was deemed sufficient for ECL measurement as of 31 December 2022.

Among the industries presented in the table "Credit risk exposure by industry and risk category" below in this chapter, Erste Group identified in the first step, as part of the strategic climate initiative for the Net Zero Banking Alliance, the Real Estate industry, Private Households (Mortgage Portfolio) and parts of the Energy sector (energy production and heat production) as important levers for setting the interim emission targets for 2030. Further sectors where Erste Group is exposed to high greenhouse gas emissions (due to either the credit risk exposure or its emission intensity) will be subject to the target setting process 2023, thus supporting the migration of "Transition Risk" in Erste Group financed portfolio.

Methods of credit risk management

Credit risk arises from Erste Group's traditional lending and investment businesses.

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

Credit risk related to retail and SME loan portfolios is managed at the group and at local entity level with a common interest in order to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities and supported by underlying profitability.

Internal rating system

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

The assessment of credit default risk within Erste Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, Erste Group assigns an internal rating, which is a unique measure of the credit default risk. The internal rating of each

customer is updated event-specific, however, at least once a year (annual rating review). Ratings of workout customers are reviewed with a higher frequency.

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

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

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

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

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

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

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

Credit risk classification

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

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

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

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

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

The materiality of 90 days past due credit obligation is applied for on-balance exposure at client level and assessed daily against the group-wide defined materiality threshold (except the local regulator has defined different thresholds) for the:

- _ retail exposure: as an absolute limit on client level of 100 EUR and relative 1% on client level;
- _ non-retail exposure: as an absolute limit on client level of 500 EUR and relative 1% on client level.

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

In 2022, the method of assigning the external customer ratings to the internal PDs was reviewed. The main adjustments were the update of the one one-year default rates for the agency ratings and the redefinition of the internal PD assignment for the different rating methods, resulting in a more stable distribution of exposure to risk categories over time. Compared to the method used for the assignment of credit exposures to risk categories until 2021, the adjusted methodology results in a decrease of the portfolio share of the "Low risk" category by 2.6 percentage points, as of 31 December 2021. The "Management attention" and "Substandard" categories increase by 2.2 and 0.4 percentage points. The "Non-performing" risk category was not affected by the adjustment of the methodology.

Credit risk review and monitoring

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

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

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

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

35. 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;
- _ instruments (derivatives and debt securities) held for trading (HfT);
- _ non-trading debt instruments at fair value through profit or loss (FVPL);
- _ debt instruments at fair value through other comprehensive income (FVOCI);
- _ debt instruments at amortised cost (AC), other than trade and other receivables;
- _ trade and other receivables (for disclosure purposes in the tabular summaries below, any contract assets are also included in this category);
- _ finance lease receivables;
- _ debt instruments held for sale in disposal groups;
- _ positive fair value of hedge accounting derivatives;
- _ off-balance sheet exposures (primarily financial guarantees and undrawn loan commitments).

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

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

Between the 31 December 2021 and 31 December 2022, the credit risk exposure increased from EUR 312,439 million to EUR 349,166 million. This is an increase of 11.8% or EUR 36,727 million.

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

in EUR million	Credit risk exposure	Credit loss allowances	Adjustments	Net carrying amount
Dec 22				
Cash and cash balances - demand deposits to credit institutions	723	-1	0	722
Instruments HFT	7,695	0	0	7,695
Non-trading debt instruments at FVPL	2,389	0	0	2,389
Debt securities	1,549	0	0	1,549
Loans and advances to banks	0	0	0	0
Loans and advances to customers	839	0	0	839
Debt instruments at FVOCI	9,929	-24	-444	9,460
Debt securities	9,929	-24	-444	9,460
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	257,217	-3,857	0	253,360
Debt securities	40,633	-22	0	40,612
Loans and advances to banks	18,441	-6	0	18,435
Loans and advances to customers	198,143	-3,830	0	194,313
Trade and other receivables	2,469	-65	0	2,404
Finance lease receivables	4,639	-86	0	4,553
Debt instruments held for sale in disposal groups	154	-4	0	150
Positive fair value of hedge accounting derivatives	159	0	0	159
Off-balance sheet exposures	63,792	-534	0	-
Financial guarantees	7,643	-177	0	-
Loan commitments	48,434	-292	0	-
Other commitments	7,716	-65	0	-
Total	349,166	-4,572	-444	280,892
Dec 21				
Cash and cash balances - demand deposits to credit institutions	1,033	-1	0	1,033
Instruments HFT	6,389	0	0	6,389
Non-trading debt instruments at FVPL	2,793	0	0	2,793
Debt securities	1,975	0	0	1,975
Loans and advances to banks	10	0	0	10
Loans and advances to customers	808	0	0	808
Debt instruments at FVOCI	8,655	-23	94	8,749
Debt securities	8,655	-23	94	8,749
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	233,402	-3,761	0	229,641
Debt securities	35,565	-15	0	35,551
Loans and advances to banks	20,998	-6	0	20,991
Loans and advances to customers	176,839	-3,740	0	173,099
Trade and other receivables	2,239	-87	0	2,152
Finance lease receivables	4,319	-111	0	4,209
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	79	0	0	79
Off-balance sheet exposures	53,529	-544	0	-
Financial guarantees	6,796	-180	0	-
Loan commitments	40,593	-284	0	-
Other commitments	6,141	-80	0	-
Total	312,439	-4,527	94	255,044

Credit loss allowances comprise impairments for financial assets measured at amortised cost (including finance lease and trade and other receivables) and at fair value through other comprehensive income (FVOCI), as well as credit loss allowances and provisions for off-balance sheet exposures. Adjustments refer to the fair value changes of the carrying amount for financial assets at FVOCI; to align with the accounting view, starting with the current reporting period the value presented in adjustments does not include allowances.

Breakdown of credit risk exposure

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

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Natural Resources & Commodities	9,808	3,103	691	279	13,881
Energy	12,869	1,802	191	49	14,912
Construction and building materials	11,481	3,681	637	311	16,111
Automotive	5,836	1,316	228	335	7,715
Cyclical Consumer Products	6,189	2,465	353	307	9,314
Non-Cyclical Consumer Products	7,618	1,780	388	161	9,947
Machinery	4,688	1,019	324	157	6,188
Transportation	4,656	2,352	273	113	7,394
TMT; Telecommunications, Media, Technology	6,104	970	249	165	7,487
Healthcare & Services	8,662	1,831	407	224	11,123
Hotels & Leisure	6,614	2,019	429	425	9,487
Real Estate	36,434	5,459	844	471	43,208
Public Sector	66,263	602	119	10	66,994
Financial Institutions	26,373	1,274	390	36	28,074
Private Households	85,577	6,955	3,004	1,456	96,992
Other	251	39	44	5	339
Total	299,423	36,667	8,570	4,505	349,166

Dec 21					
Natural Resources & Commodities	9,129	2,056	435	333	11,953
Energy	7,700	988	111	89	8,888
Construction and building materials	10,481	1,889	373	364	13,106
Automotive	5,043	650	149	295	6,136
Cyclical Consumer Products	5,389	1,156	264	304	7,113
Non-Cyclical Consumer Products	7,161	1,068	286	186	8,701
Machinery	4,174	772	135	131	5,212
Transportation	4,104	1,538	245	184	6,071
TMT; Telecommunications, Media, Technology	4,779	710	82	90	5,661
Healthcare & Services	7,895	1,572	248	169	9,884
Hotels & Leisure	5,919	2,464	520	472	9,375
Real Estate	31,940	6,172	906	425	39,443
Public Sector	64,103	735	194	0	65,032
Financial Institutions	20,652	1,156	141	31	21,980
Private Households	84,829	4,808	2,046	1,552	93,234
Other	534	47	64	3	648
Total	273,833	27,781	6,199	4,626	312,439

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 21					
Agriculture and forestry	2,317	944	221	134	3,616
Mining	644	75	10	21	750
Manufacturing	17,211	2,763	644	687	21,306
Energy and water supply	4,525	850	96	48	5,519
Construction	10,455	2,780	316	306	13,856
Development of building projects	5,356	1,218	60	79	6,713
Trade	12,550	2,628	479	456	16,112
Transport and communication	6,880	1,473	299	182	8,834
Hotels and restaurants	3,341	1,673	404	332	5,750
Financial and insurance services	39,654	1,406	168	87	41,316
Holding companies	3,911	433	66	42	4,452
Real estate and housing	29,170	5,277	880	347	35,674
Services	13,962	1,904	362	418	16,646
Public administration	47,115	621	173	1	47,909
Education, health and art	3,108	629	105	61	3,903
Households	82,492	4,725	1,974	1,546	90,736
Other	410	34	67	0	511
Total	273,833	27,781	6,199	4,626	312,439

From current reporting period Erste Group presents the portfolio industry distribution based on the internal segmentation, instead of previously reported regulatory (FINREP) segmentation, as it more accurately represents the view used for internal steering of the portfolio. For the purpose of comparison, above it is showed both regulatory and internal industry segmentation for year-end 2021. The most significant differences between regulatory and internal industry segmentation refer to segmentation of Services, Financial Institutions and Private Households. Regulatory industry segment Services is internally assigned according to the main activity of the counterparty to Healthcare & services, Hotels & leisure or Cyclical consumer products. In the Financial and insurance services segment, central banking operations

are considered under Public sector segment, while collective of private individuals that are flat owners is considered under Private households and not Real Estate (as in regulatory segmentation).

With 85,8%, the low risk exposure has the highest share in total credit risk exposure, while management attention represents 10.5%. The substandard exposure contributes 2.5% and the non-performing category 1.3%.

From industry and financial instrument point of view, the highest exposure is represented by households in loans and advances to customers with EUR 84,825 million, representing 24.3% from total exposure, followed by real estate and housing in loans and advances to customers with an exposure of EUR 37,007 million representing 10.6% from total and public sector in debt securities with an exposure of EUR 30,814 million representing 8.8% from total.

Credit risk exposure by region and risk category

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

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Core markets	254,254	33,625	7,531	3,968	299,379
Austria	119,508	12,861	2,599	1,994	136,962
Czech Republic	66,699	6,641	1,304	762	75,406
Slovakia	23,572	4,640	1,514	308	30,034
Romania	19,615	3,041	579	348	23,582
Hungary	12,276	2,417	973	181	15,847
Croatia	9,146	3,398	462	325	13,332
Serbia	3,439	627	100	51	4,217
Other EU	26,629	1,471	548	349	28,997
Other industrialised countries	13,023	215	131	41	13,409
Emerging markets	5,517	1,357	360	147	7,382
Southeastern Europe/CIS	3,158	1,015	243	119	4,537
Asia	1,918	87	21	17	2,043
Latin America	137	58	3	9	207
Middle East/Africa	304	196	93	2	595
Total	299,423	36,667	8,570	4,505	349,166
Dec 21					
Core markets	238,499	24,809	5,538	4,049	272,894
Austria	112,060	11,775	1,674	1,866	127,375
Czech Republic	62,361	4,528	1,131	736	68,756
Slovakia	22,793	1,721	1,085	308	25,906
Romania	18,097	1,846	334	428	20,705
Hungary	12,972	1,272	617	204	15,065
Croatia	7,180	3,268	600	466	11,514
Serbia	3,035	400	97	41	3,574
Other EU	22,884	1,444	305	329	24,962
Other industrialised countries	6,973	394	42	68	7,477
Emerging markets	5,477	1,134	314	180	7,105
Southeastern Europe/CIS	3,021	806	186	139	4,152
Asia	1,999	97	30	29	2,155
Latin America	158	15	5	11	189
Middle East/Africa	299	215	93	2	609
Total	273,833	27,781	6,199	4,626	312,439

The credit risk exposure increased by EUR 9,586 million, or 7.5% in Austria, and by EUR 16,898 million, or 11.6% in the CEE core markets. In the other EU member states (EU 27 excluding core markets), the credit risk exposure increased by EUR 4,034 million, or 16.2%, while in other industrialised countries the increase in exposure amounted to EUR 5,932 (79.3%). The emerging markets registered an increase of EUR 276 million or 3.9%. In total, Erste Group's core markets and the EU accounted for 94.0% (2021: 95.3%) of credit risk exposure. At 2.1% (2021: 2.3%), the share of emerging markets remained of minor importance.

Credit risk exposure by reporting segment and risk category

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

Credit risk exposure by geographical operating segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Austria	160,368	15,346	3,442	2,490	181,647
EBOe & Subs.	44,860	4,991	1,111	624	51,585
Savings Banks	67,138	9,036	1,806	1,380	79,360
Other Austria	48,370	1,319	526	486	50,702
CEE	127,463	21,286	5,128	1,997	155,874
Czech Republic	67,470	6,927	1,402	798	76,597
Slovakia	20,409	4,622	1,576	299	26,906
Romania	17,674	3,083	577	356	21,690
Hungary	9,483	2,353	968	178	12,982
Croatia	9,567	3,696	513	317	14,092
Serbia	2,860	606	91	50	3,607
Other	11,592	35	1	17	11,645
Total	299,423	36,667	8,570	4,505	349,166
Dec 21					
Austria	145,492	14,367	2,142	2,426	164,428
EBOe & Subs.	44,404	3,646	558	602	49,210
Savings Banks	63,498	9,009	1,215	1,387	75,109
Other Austria	37,589	1,712	370	438	40,109
CEE	120,294	13,369	4,056	2,183	139,901
Czech Republic	64,315	4,884	1,230	767	71,197
Slovakia	19,538	1,607	1,097	297	22,539
Romania	16,352	1,729	334	458	18,872
Hungary	10,287	1,139	612	200	12,238
Croatia	7,402	3,627	687	421	12,139
Serbia	2,399	382	96	40	2,917
Other	8,048	45	0	17	8,110
Total	273,833	27,781	6,199	4,626	312,439

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Retail	65,536	10,167	3,280	1,381	80,364
Corporates	92,938	16,584	3,131	1,694	114,347
Group Markets	18,785	533	193	0	19,511
ALM & LCC	54,899	318	160	32	55,409
Savings Banks	67,138	9,036	1,806	1,380	79,360
GCC	127	30	1	17	175
Total	299,423	36,667	8,570	4,505	349,166
Dec 21					
Retail	67,049	5,674	2,458	1,507	76,689
Corporates	75,274	12,318	2,359	1,693	91,644
Group Markets	18,398	392	23	2	18,815
ALM & LCC	49,356	359	144	19	49,878
Savings Banks	63,498	9,009	1,215	1,387	75,109
GCC	258	29	0	17	304
Total	273,833	27,781	6,199	4,626	312,439

36. Use of collateral

Recognition of credit collateral

Collateral Management is integrated in Underwriting Processes department of Credit Risk Portfolio division. The Group Collateral Management Policy Part 1 Credit Collateral defines, among other topics, uniform valuation standards for credit collateral across the entire group. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.

All collateral types acceptable within the group are contained in the Group Collateral Catalogue. Locally permitted collateral is defined by the respective bank in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Group Collateral Catalogue broken down by collateral type and based on the internal work instructions in accordance with the individual supervisory requirements. Whether a type of collateral or a specific collateral asset is accepted for credit risk

mitigation is decided by Enterprise-wide Risk Management after determining if the applicable regulatory requirements are met. Credit underwriting monitors adherence to the standard processes stipulated for assigning the acceptable collateral assets to the categories available.

Main types of credit collateral

Mostly, the following types of credit collateral are accepted:

- _ real estate: residential and commercial real estate;
- _ financial collateral: securities, cash deposits and life insurance policies;
- _ guarantees: given by sovereigns, public sector entities, financial institutes, companies and private individuals. All guarantors must have a minimum credit rating, which is reviewed annually;
- _ movables: equipment, investment goods, machinery and motor vehicles;
- _ claims and rights: trade account receivables, leasehold rights and shares in a company's capital.

Collateral valuation and management

Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined, and their IT-supported technical application is performed by Collateral Management at group level and by authorised staff in each country with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction.

Real estate valuation may only be performed by qualified valuers who are independent of the credit decision process. The valuation is to be made according to international, European or national standards and has to follow valuation methods defined by the bank. Internal guidelines define criteria of qualification and requirements of independence for the selection of valuers. A valuator may only perform two sequential valuations of the same asset, any further valuation has to result in the rotation of the valuator. For quality assurance purposes, real estate valuers and real estate valuations are supervised on an ongoing basis.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on recoveries from realising collateral. The valuation discounts are adjusted regularly – at least once a year – to reflect the recoveries under consideration of foreseeable developments (like expected real estate price changes).

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons, or when defined triggers are exceeded. Particularly real estate collateral assets in development, showing problems like significant cost or time overrun, as well as assets, collateralizing loans with lower credit quality, are monitored or revalued with higher frequencies.

Concentration risks resulting from credit risk mitigation techniques may affect a single customer, but also a portfolio defined by region, industry, or type of collateral. Erste Group is a retail bank, and, due to its customer structure and the markets in which it operates, it does not have any concentrations with respect to collateral from customers. All guarantee liabilities and loans of a corporate guarantee provider are taken into consideration in the credit application process in order to prevent possible concentrations. Guarantees provided by sovereigns, a public sector entity or financial institutions have to lie within the approved limit of the guarantor. Concerning other areas of a potentially detrimental correlation of risks, the collateral portfolios are analysed using statistical evaluations for, among other things, regional or industry-specific concentrations within the scope of portfolio monitoring. The response to those risks identified includes, above all, the adjustment of volume targets, setting of corresponding limits and modification of the staff's discretionary limits for lending.

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, residential real estate properties and transport vehicles are taken into Erste Group's possession. As of 31 December 2022, the carrying value of these assets obtained during the reporting period amounted to EUR 4 million (2021: EUR 4 million).

Treasury collateral

The department Trading Book Risk Management is responsible for treasury collateral. The Group Collateral Management Policy Part 2 defines, among other things, uniform valuation standards for treasury collateral across the entire group.

Under the framework of treasury collateral, netting agreements (international framework agreements for derivatives of the International Swap and Derivatives Association (ISDA), Austrian or German framework agreements, framework agreements for securities lending transactions and repurchase deals) as well as collateral agreements (e.g., ISDA Credit Support Annex) are used for reducing the credit risk from derivatives.

Netting agreements make it possible to net all amounts due or payable for each individual transaction under a framework agreement in the case of a credit default, with the result that only the net receivables vis-à-vis the business partner are of relevance for credit risk. Within the scope of these collateral agreements, the portfolio with the respective counterparty is revalued periodically, usually daily, and in case of insufficient coverage additional collateral is requested. The policy restrictions on collateral types ensure that collateral received predominantly consists of cash or securities of investment grade quality. In the case of securities used as collateral, an additional valuation discount (haircut) depending on credit quality and residual maturity is applied.

The following table compares the credit risk exposure broken down by financial instrument to the allocated collateral which corresponds to the accepted value after internal haircuts capped by the exposure amount.

Credit risk exposure by financial instrument and collateral

in EUR million	Total credit risk exposure	Collateral total	Collateralised by			Credit risk exposure net of collateral	IFRS 9 impairment relevant		
			Guarantees	Real estate	Other		Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
Dec 22									
Cash and cash balances - demand deposits to credit institutions	723	81	0	0	81	642	694	29	0
Instruments HfT	7,695	171	171	0	0	7,525	0	0	0
Non-trading debt instruments at FVPL	2,389	832	662	169	1	1,557	0	0	0
Debt instruments at FVOCI	9,929	587	587	0	0	9,341	9,917	9	3
Debt instruments at AC	257,217	135,090	11,794	101,418	21,878	122,127	250,718	2,584	4,070
Debt securities	40,633	1,629	1,629	0	0	39,004	40,625	4	4
Loans and advances to banks	18,441	16,654	1,854	0	14,801	1,787	18,441	0	0
Loans and advances to customers	198,143	116,807	8,311	101,418	7,077	81,336	191,651	2,580	4,066
Trade and other receivables	2,469	62	43	1	18	2,407	1,545	866	58
Finance lease receivables	4,639	2,679	72	215	2,392	1,960	4,350	201	88
Debt instruments held for sale in disposal groups	154	0	0	0	0	154	0	0	0
Positive fair value of hedge accounting derivatives	159	0	0	0	0	159	0	0	0
Off-balance sheet exposures	63,792	7,426	230	3,781	3,415	56,366	51,932	453	202
thereof other commitments	7,716	1,199	0	163	1,036	6,517	0	0	0
Total	349,166	146,928	13,559	105,584	27,785	202,238	319,156	4,141	4,421
Dec 21									
Cash and cash balances - demand deposits to credit institutions	1,033	106	0	0	106	928	1,015	18	0
Instruments HfT	6,389	97	96	1	0	6,292	0	0	0
Non-trading debt instruments at FVPL	2,793	796	614	174	8	1,996	0	0	0
Debt instruments at FVOCI	8,655	666	666	0	0	7,989	8,657	0	0
Debt instruments at AC	233,402	121,873	10,865	88,142	22,866	111,529	227,157	2,144	4,101
Debt securities	35,565	1,596	1,596	0	0	33,969	35,566	0	0
Loans and advances to banks	20,998	17,670	1,379	0	16,291	3,328	20,997	0	0
Loans and advances to customers	176,839	102,607	7,891	88,142	6,574	74,233	170,594	2,144	4,101
Trade and other receivables	2,239	75	61	1	13	2,165	1,532	622	82
Finance lease receivables	4,319	2,467	57	227	2,182	1,852	4,034	134	151
Debt instruments held for sale in disposal groups	0	0	0	0	0	0	0	0	0
Positive fair value of hedge accounting derivatives	79	0	0	0	0	79	0	0	0
Off-balance sheet exposures	53,529	6,567	191	3,518	2,857	46,963	47,178	27	185
thereof other commitments	6,141	976	2	139	834	5,165	0	0	0
Total	312,439	132,646	12,551	92,064	28,031	179,793	289,573	2,946	4,519

The collateral attributable to exposures that are credit-impaired as of 31 December 2022 amounts to EUR1,986 million (2021: EUR 2,075 million).

37. Measurement of expected credit loss

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, as described in the chapter “Financial instruments – Significant accounting policies”, in the section “Impairment of financial instruments”

Significant increase in credit risk determination

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

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

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

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

Relative thresholds for SICR assessment by geographical operating segment

	Threshold interval (x times)	
	Min	Max
Dec 22		
Austria	1.13	2.60
EBOe & Subs.	1.13	2.60
Savings Banks	1.13	2.60
Other Austria	1.13	2.60
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 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

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

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

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

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

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

Besides the qualitative indicators defined on a client level, the assessment of a significant increase in credit risk is performed on a portfolio level if the increase in credit risk on individual instruments or at a client level is available only with a certain time lag or is observable exclusively on a portfolio level.

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).

Erste Group has introduced additional portfolio level SICR assessment criteria due to the war in Ukraine (implemented in 2022) and related economic impacts. Similarly, from 2020 till Q3-2022 portfolio assessment due to the Covid-19 pandemic was established. For more details refer to "Collective assessment" in the next chapter.

Considering the war in Ukraine, Erste Group started with a portfolio screening in local entities to identify customers affected by the secondary effects of the geopolitical risk (Erste Group has only very limited exposure towards the affected region, therefore no significant primary effects recognized). In combination with an early warning classification, "Watch" and "Intensified", these customers are transferred into Stage 2 and lifetime ECL are calculated. As of 31 December 2022, the corresponding groupwide exposure to these customers amounted to EUR 349 million, with EUR 16 million of allocated credit loss allowances (a significant part is overlapping with stage overlays defined in the "Collective assessment" chapter).

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

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

As of 31 December 2022, low credit risk exemption is applied only to debt securities in the Czech subsidiary (Česká spořitelna) and sovereign exposures in the Romanian subsidiary (Banca Comercială Română). In Česká spořitelna, the corresponding exposure amounted to EUR 15.3 billion (2021: EUR 14.2 billion) with PDs interval of 0.01%-0.4%. In Banca Comercială Română, the respective exposure amounted to EUR 6.2 billion (2021: EUR 5.1 billion) with PD 0.1%.

Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

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

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

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

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

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

Life-time parameters

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

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

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

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

38. Credit risk exposure according to IFRS 9 Stage and ECL

Credit risk exposure: overview of IFRS 9 treatment by region

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 22							
Core markets	236,852	44,711	3,724	361	285,649	13,730	299,379
Austria	106,644	25,306	1,944	54	133,948	3,014	136,962
Czech Republic	62,388	7,644	688	46	70,766	4,639	75,406
Slovakia	25,640	3,294	292	125	29,352	682	30,034
Romania	17,501	4,060	307	58	21,925	1,657	23,582
Hungary	11,768	1,510	146	47	13,472	2,375	15,847
Croatia	9,943	2,453	299	29	12,724	608	13,332
Serbia	2,967	444	48	2	3,462	755	4,217
Other EU	22,010	3,956	330	10	26,306	2,691	28,997
Other industrialised countries	7,769	1,618	40	11	9,438	3,971	13,409
Emerging markets	4,880	1,301	143	1	6,325	1,056	7,382
Southeastern Europe/CIS	2,978	933	115	1	4,028	509	4,537
Asia	1,354	144	17	0	1,515	528	2,043
Latin America	181	15	9	0	205	2	207
Middle East/Africa	366	209	2	0	577	18	595
Total	271,511	51,587	4,237	383	327,718	21,448	349,166
Dec 21							
Core markets	226,304	32,447	3,839	349	262,938	9,956	272,894
Austria	103,493	18,810	1,831	42	124,176	3,199	127,375
Czech Republic	61,074	5,411	679	41	67,206	1,550	68,756
Slovakia	22,553	2,347	299	113	25,312	595	25,906
Romania	16,133	2,628	388	57	19,206	1,499	20,705
Hungary	11,202	1,283	163	66	12,714	2,351	15,065
Croatia	8,996	1,684	440	28	11,148	366	11,514
Serbia	2,853	283	38	2	3,177	397	3,574
Other EU	18,699	2,879	290	11	21,879	3,083	24,962
Other industrialised countries	5,391	848	47	11	6,297	1,180	7,477
Emerging markets	4,890	855	178	1	5,924	1,181	7,105
Southeastern Europe/CIS	3,020	516	137	1	3,675	477	4,152
Asia	1,273	168	29	0	1,470	685	2,155
Latin America	156	19	9	0	184	5	189
Middle East/Africa	442	152	2	0	595	14	609
Total	255,284	37,029	4,352	373	297,038	15,400	312,439

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

The defaulted part of POCI amounted to EUR 184 million (2021: EUR 167 million), the non-defaulted part to EUR 199 million (2021: EUR 206 million).

Credit risk exposure and IFRS 9 treatment by geographical operating segment

in EUR million	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 22												
Austria	135,236	32,407	2,430	66	11,508	-169	-772	-996	-1	2.4%	41.0%	0.9%
EBOe & Subs.	43,281	7,179	614	12	499	-43	-169	-210	0	2.4%	34.2%	0.0%
Savings Banks	61,345	14,565	1,336	54	2,060	-91	-434	-579	-1	3.0%	43.3%	1.1%
Other Austria	30,611	10,663	480	0	8,949	-36	-170	-207	0	1.6%	43.3%	0.0%
CEE	124,821	19,079	1,790	317	9,868	-300	-975	-1,181	-93	5.1%	66.0%	29.4%
Czech Republic	63,049	8,032	714	54	4,748	-99	-332	-466	-20	4.1%	65.4%	36.3%
Slovakia	22,712	3,062	286	126	720	-49	-122	-168	-37	4.0%	58.7%	28.9%
Romania	15,924	3,771	311	58	1,626	-71	-314	-236	-11	8.3%	75.8%	19.3%
Hungary	9,986	1,250	143	47	1,556	-30	-62	-89	-12	4.9%	62.5%	25.1%
Croatia	10,670	2,612	290	29	491	-37	-127	-192	-13	4.9%	66.1%	46.0%
Serbia	2,479	352	47	2	727	-15	-18	-30	0	5.2%	64.4%	22.6%
Other	11,454	100	17	0	72	-4	-3	-12	0	2.8%	69.1%	0.0%
Total	271,511	51,587	4,237	383	21,448	-474	-1,750	-2,190	-94	3.4%	51.7%	24.5%
Dec 21												
Austria	127,109	24,314	2,360	55	10,590	-221	-663	-1,007	-1	2.7%	42.7%	1.7%
EBOe & Subs.	40,962	7,070	597	6	574	-48	-157	-218	0	2.2%	36.5%	0.2%
Savings Banks	59,909	11,496	1,355	48	2,300	-135	-349	-595	-1	3.0%	43.9%	1.9%
Other Austria	26,238	5,748	408	0	7,715	-38	-157	-194	0	2.7%	47.5%	0.0%
CEE	120,208	12,699	1,975	318	4,700	-327	-823	-1,288	-99	6.5%	65.2%	31.1%
Czech Republic	63,519	5,610	697	52	1,318	-118	-288	-435	-20	5.1%	62.3%	38.0%
Slovakia	19,402	2,130	291	113	602	-49	-119	-167	-33	5.6%	57.3%	29.4%
Romania	14,675	2,337	396	57	1,407	-69	-220	-304	-14	9.4%	76.7%	23.7%
Hungary	10,069	928	159	66	1,016	-24	-65	-86	-17	7.0%	54.5%	25.9%
Croatia	10,156	1,535	395	28	24	-55	-118	-273	-15	7.7%	69.0%	52.8%
Serbia	2,387	159	37	2	332	-13	-13	-24	0	8.2%	64.7%	21.4%
Other	7,966	16	17	0	111	-2	0	-16	0	0.3%	91.9%	0.0%
Total	255,284	37,029	4,352	373	15,400	-550	-1,486	-2,311	-100	4.0%	53.1%	26.7%

Credit risk exposure and IFRS 9 treatment by business segment

in EUR million	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 22												
Retail	67,843	10,180	1,339	91	911	-162	-627	-796	-23	6.2%	59.4%	25.7%
Corporates	77,131	26,181	1,513	238	9,285	-180	-677	-786	-70	2.6%	52.0%	29.3%
Group Markets	10,398	250	0	0	8,862	-20	-3	0	0	1.1%	54.7%	60.3%
ALM & LCC	54,711	409	32	0	257	-19	-10	-16	0	2.5%	51.5%	21.3%
Savings Banks	61,345	14,565	1,336	54	2,060	-91	-434	-579	-1	3.0%	43.3%	1.1%
GCC	83	2	17	0	72	-2	0	-12	0	5.6%	69.1%	0.0%
Total	271,511	51,587	4,237	383	21,448	-474	-1,750	-2,190	-94	3.4%	51.7%	24.5%
Dec 21												
Retail	65,736	8,584	1,458	105	806	-175	-515	-839	-28	6.0%	57.5%	27.0%
Corporates	68,263	16,615	1,501	220	5,045	-207	-613	-841	-71	3.7%	56.1%	32.1%
Group Markets	11,738	206	2	0	6,868	-17	-3	-1	0	1.6%	49.5%	0.0%
ALM & LCC	49,443	126	19	0	290	-15	-5	-19	0	4.2%	99.7%	0.0%
Savings Banks	59,909	11,496	1,355	48	2,300	-135	-349	-595	-1	3.0%	43.9%	1.9%
GCC	195	2	17	0	90	-1	0	-16	0	1.9%	91.9%	0.0%
Total	255,284	37,029	4,352	373	15,400	-550	-1,486	-2,311	-100	4.0%	53.1%	26.7%

39. Development of credit loss allowances

The following tables give an overview over the development of credit loss allowances per balance sheet line item.

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

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related financial instruments from Stage 1 (at 1 January 2022 or initial recognition date) to Stages 2 or 3 at 31 December 2022 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognised prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

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

Financial instruments held at amortised cost

Movement in credit loss allowances – debt securities

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 22						Dec 22
Stage 1	-12	-6	4	2	-2	1	-13
Stage 2	-3	0	0	-6	3	0	-5
Stage 3	0	0	0	-1	-2	0	-3
Total	-15	-6	4	-5	-1	1	-22
	Jan 21						Dec 21
Stage 1	-11	-5	3	2	-1	0	-12
Stage 2	-3	0	0	-2	2	0	-3
Stage 3	-2	0	1	0	0	0	0
Total	-15	-5	5	0	1	0	-15

The year-end total GCAs of AC debt securities that were initially recognised (purchased) during the year 2022 and not fully derecognised by 31 December 2022 amounts to EUR 9,135.7 million (2021: EUR 9,631.6 million.) The GCA of AC debt securities that were held at 1 January 2022 and derecognised during the year 2022 amounts to EUR 3,987.1 million (2021: EUR 3,356.2 million).

Movement in credit loss allowances – loans and advances to banks

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 22						Dec 22
Stage 1	-6	-17	12	0	5	0	-6
Stage 2	-1	0	2	0	-2	0	0
Stage 3	0	0	0	0	0	0	0
Total	-6	-17	15	0	3	0	-6
	Jan 21						Dec 21
Stage 1	-3	-17	18	0	-3	0	-6
Stage 2	0	0	3	-2	-2	0	-1
Stage 3	0	0	0	0	0	0	0
Total	-3	-18	21	-1	-5	0	-6

The year-end total GCA of AC loans and advances to banks that were initially recognised during the year 2022 and not fully de-recognised by 31 December 2022 amounts to EUR 15,641.1 million (2021: EUR 19,475.4 million). The GCA of AC loans and advances to banks that were held as of 1 January 2022 and fully de-recognised during the year 2022 amounts to EUR 18,259.8million (2021: 20,901.7 million).

Movement in credit loss allowances – loans and advances to customers

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	Jan 22							Dec 22
Stage 1	-383	-320	77	643	-348	0	-5	-335
General governments	-4	-3	1	4	-1	0	0	-4
Other financial corporations	-10	-12	4	18	-7	0	0	-8
Non-financial corporations	-211	-201	49	328	-128	0	1	-162
Households	-158	-103	23	293	-211	0	-5	-161
Stage 2	-1,203	-143	183	-1,055	799	1	4	-1,415
General governments	-20	-8	2	-12	11	0	0	-28
Other financial corporations	-14	-1	3	-30	24	0	-1	-20
Non-financial corporations	-666	-113	113	-553	442	0	2	-773
Households	-504	-20	65	-460	322	1	3	-594
Stage 3	-2,066	-27	213	-124	-356	375	-9	-1,994
General governments	-2	0	0	0	0	1	0	-1
Other financial corporations	-16	0	1	0	-20	4	-5	-37
Non-financial corporations	-1,069	-16	115	-64	-228	223	-3	-1,043
Households	-979	-10	97	-60	-108	148	-1	-913
POCI	-88	0	8	0	-12	4	0	-86
General governments	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	-61	0	6	0	-12	3	0	-65
Households	-26	0	2	0	0	1	1	-22
Total	-3,740	-490	482	-536	83	381	-9	-3,830

	Jan 21							Dec 21
Stage 1	-335	-305	78	462	-276	0	-9	-383
General governments	-4	-2	1	1	0	0	0	-4
Other financial corporations	-8	-13	4	21	-14	0	0	-10
Non-financial corporations	-186	-190	51	175	-58	0	-3	-211
Households	-136	-100	23	265	-204	0	-6	-158
Stage 2	-1,171	-140	171	-710	651	1	-5	-1,203
General governments	-4	-2	1	-7	0	0	-6	-20
Other financial corporations	-38	-1	3	-21	40	0	2	-14
Non-financial corporations	-657	-110	106	-275	278	0	-7	-666
Households	-472	-27	61	-406	333	1	6	-504
Stage 3	-2,201	-46	250	-80	-290	292	8	-2,066
General governments	-2	0	0	0	0	0	0	-2
Other financial corporations	-6	0	1	-1	-20	10	0	-16
Non-financial corporations	-1,172	-26	123	-35	-108	130	18	-1,069
Households	-1,021	-20	126	-44	-162	152	-10	-979
POCI	-125	0	15	0	18	4	1	-88
General governments	-1	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	-92	0	11	0	17	2	1	-61
Households	-33	0	4	0	1	1	0	-26
Total	-3,831	-490	514	-328	103	297	-4	-3,740

CLAs recognised against drawings from non-revolving loan commitments are deemed as additions for the purpose of presenting current period's movement in CLA. Therefore, additions in Stages 2 and 3 reflect transfers from Stage 1 having occurred between commitment and drawing dates of related credit facilities. They also reflect deals for which the CLA initial recognition in accounting occurred after those deals having been already assigned to Stage 2 as a result of applying the SICR collective assessment overlays further described in Note 40.

The column 'Other changes in credit risk (net)' also captures the passage-of-time adverse effect ('unwinding correction') over the lifetime expected cash shortfalls of AC loans and advances to customers that were assigned to Stage 3 for any period throughout the year, as well as of any POCI loans and advances to customers. This adverse effect amounted to EUR 89.6 million (2021: EUR 68.8 million) cumulatively for the year 2022, which also reflects the unrecognised interest income out of the related AC loans and advances to customers throughout the year.

The use of CLA triggered by full or partial write-offs of AC loans and advances to customers is reported in column 'Write-offs'.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different impairment stages. The year-end GCA of AC loans and advances to customers that were assigned at 31 December 2022 to a different stage compared to 1 January 2022 (or to the initial recognition date, if originated during the year) are summarized below:

in EUR million	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non- Defaulted	To Non- Defaulted from Defaulted
Dec 22								
General governments	389	497	10	0	0	0	0	0
Other financial corporations	883	303	14	0	30	0	0	0
Non-financial corporations	14,882	6,722	404	133	357	6	5	8
Households	6,105	3,379	301	182	198	40	3	6
Total	22,259	10,901	728	315	585	46	8	15
Dec 21								
General governments	461	39	0	0	0	0	0	0
Other financial corporations	321	375	32	0	2	0	0	0
Non-financial corporations	6,757	4,837	400	45	187	5	6	1
Households	4,598	2,716	363	177	216	55	2	7
Total	12,137	7,966	794	223	405	60	8	9

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

The year-end total GCA of the AC loans and advances to customers that were initially recognised during the reporting period and not fully de-recognised by 31 December 2022 amounts to EUR 51,949.0 million (2021: EUR 45,011.4 million). The GCA of the AC loans and advances to customers that were held at 1 January 2022 and fully de-recognised during the reporting period amounts to EUR 18,338.3 million (2021: EUR 17,982.5 million).

The undiscounted amount of the lifetime expected credit losses considered in the initial measurement of the AC loans and advances to customers initially recognised and identified as POCI during the year 2022 amounted to EUR 107.4 million (2021: EUR 54.4 million).

Movement in credit loss allowances – trade and other receivables

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	Jan 22							Dec 22
Stage 1	-12	-13	9	1	6	0	0	-9
Stage 2	-9	-1	2	-2	-3	1	1	-11
Stage 3	-66	0	22	-1	-5	7	0	-44
POCI	0	0	0	0	-1	0	0	-1
Total	-87	-14	33	-2	-3	7	1	-65
	Jan 21							Dec 21
Stage 1	-6	-12	6	2	2	0	-2	-12
Stage 2	-10	0	3	-1	-1	0	1	-9
Stage 3	-47	0	7	-1	-9	7	-23	-66
POCI	0	0	0	0	0	0	0	0
Total	-64	-13	16	0	-8	8	-24	-87

Financial assets at fair value through other comprehensive income – debt instruments

Movement in credit loss allowances – debt instrument financial assets

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 22						Dec 22
Stage 1	-7	-5	1	4	-1	0	-7
Stage 2	-16	0	0	-4	5	0	-16
Stage 3	0	0	0	-1	0	0	-1
Total	-23	-5	2	-2	4	0	-24
	Jan 21						Dec 21
Stage 1	-9	-2	2	5	-2	0	-7
Stage 2	-16	-1	1	-5	6	0	-16
Stage 3	0	0	0	0	0	0	0
Total	-25	-3	2	-1	3	0	-23

One significant driver of the above presented CLA movements for the year has been the transfer of the related instruments across different stages. The year-end GCAs of FVOCI debt securities that were assigned at 31 December 2022 to a different stage compared to 1 January 2022 (or to the initial recognition date, if purchased during the year) are summarized in the table below:

Transfers between Stage 1 and Stage 2 – debt instrument financial assets

in EUR million	Dec 21	Dec 22
Transfers between Stage 1 and Stage 2		
To Stage 2 from Stage 1	149	370
To Stage 1 from Stage 2	157	185
Transfers between Stage 1 and Stage 3		
To Stage 3 from Stage 1	0	3

Finance lease receivables

Movement in credit loss allowances – finance lease receivables

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	Jan 22							Dec 22
Stage 1	-17	-7	1	7	-1	0	0	-17
Stage 2	-27	0	2	-9	6	0	0	-28
Stage3	-67	0	4	-5	20	7	0	-41
POCI	0	0	0	0	0	0	0	0
Total	-111	-7	7	-7	25	7	0	-86
	Jan 21							Dec 21
Stage 1	-17	-7	1	7	-1	0	0	-17
Stage 2	-12	0	10	-10	-11	0	-4	-27
Stage3	-78	0	8	-4	16	5	-14	-67
POCI	0	0	0	0	0	0	0	0
Total	-108	-7	19	-7	4	5	-18	-111

The column ‘Other changes in credit risk (net)’ captures the passage-of-time adverse effect (‘unwinding correction’) over the lifetime expected cash shortfalls of finance lease receivables that were assigned to Stage 3 for any period throughout the year, as well as of any POCI finance lease receivables. This adverse effect amounted to EUR 1.1 million (2021: EUR 1.9 million) cumulatively for the year 2022, which also reflects the unrecognised interest income out of the related finance lease receivables throughout the year.

The use of CLA triggered by full or partial write-offs of finance lease receivables is reported in column ‘Write-offs’.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across impairment stages. The year-end GCA of finance lease receivables that were assigned at 31 December 2022 to a different stage compared to 1 January 2022 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages – finance lease receivables

in EUR million	Dec 21	Dec 22
Transfers between Stage 1 and Stage 2		
To Stage 2 from Stage 1	155	322
To Stage 1 from Stage 2	146	89
Transfers between Stage 2 and Stage 3		
To Stage 3 from Stage 2	10	10
To Stage 2 from Stage 3	3	53
Transfers between Stage 1 and Stage 3		
To Stage 3 from Stage 1	15	16
To Stage 1 from Stage 3	12	2

The year-end total GCA of the finance lease receivables that were initially recognised during the reporting period and not fully de-recognised by 31 December 2022 amounts to EUR 1,103.8 million (2021: EUR 1,085.9 million). The GCA of the finance lease receivables that were held at 1 January 2022 and fully de-recognised during the year 2022 amounts to EUR 446.9 million (2021: EUR 410.7 million).

Movement in credit loss allowances – loan commitments and financial guarantees

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 22						Dec 22
Stage 1	113	229	-80	-191	9	0	81
Stage 2	228	0	-93	285	-142	-4	274
Stage 3	111	0	-20	12	-3	7	107
POCI	12	1	-1	0	-5	0	6
Total	464	229	-193	106	-141	3	469
	Jan 21						Dec 21
Stage 1	83	202	-76	-127	35	-5	113
Stage 2	211	0	-74	169	-75	-4	228
Stage 3	102	0	-13	30	-6	-1	111
POCI	2	0	-10	0	19	0	12
Total	399	202	-173	71	-26	-10	464

The column ‘Other changes in credit risk (net)’ captures the passage-of-time adverse effect (‘unwinding’) over the lifetime expected cash shortfalls of defaulted loan commitments and financial guarantees.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different stages. The year-end notional amounts of loan commitments and financial guarantees that were assigned at 31 December 2022 to a different stage compared to 1 January 2022 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages – loan commitments and financial guarantees

in EUR million	Dec 21	Dec 22
Transfers between Stage 1 and Stage 2	4,050	10,631
To Stage 2 from Stage 1	1,969	7,907
To Stage 1 from Stage 2	2,081	2,724
Transfers between Stage 2 and Defaulted	86	71
To Defaulted from Stage 2	55	52
To Stage 2 from Defaulted	31	19
Transfers between Stage 1 and Defaulted	61	68
To Defaulted from Stage 1	30	66
To Stage 1 from Defaulted	31	2

The year-end nominal amounts of unused off-balance commitments and financial guarantees that were initially recognised during the year 2022 and not fully de-recognised by 31 December 2022 amounts to EUR 18,050.6 million (2021: EUR 19,193.5 million). The nominal amounts of unused off-balance commitments or financial guarantees that were held at 1 January 2022 and fully de-recognised during the year 2022 amounts to EUR 11,360.4 million (2021: EUR 10,130.0 million).

40. Scenarios used in forward looking information and Crises Effects**Overview on scenarios used in forward-looking information****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 several alternative scenarios for selected macroeconomic variables. The alternative scenarios are derived, together with their weights of scenario outcome, as a deviation from baseline forecasts. The baseline forecasts are, with a few exceptions, internally determined by Erste Group’s research department. Given multiple scenarios, the “neutral” PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers. The same macro-shift models as for external and internal stress test are used. Forward-looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns to through-the-cycle observations immediately in year four.

Thus, the unbiased scenario weighted ECL considering FLI is derived using the weights representing the outcome 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. The main indicator of the estimated economic development and basis for alternative scenario derivation is the GDP. In addition, economic effects of the war in Ukraine came along with the increases of the inflation and/or the interest rates. Erste Group adjusted macro-shift models to reflect expected effects of those into credit risk parameters. In the tables below we are disclosing expected development of the GDP for all regions, all scenarios and scenario weights, as main indicator of the macro-economic situation. Additionally, we are disclosing explanatory variables for the main models and regions with the most significant portfolios, share in expected credit loss and the biggest impact of the forward-looking information. Disclosures are based on the relevancy in the macro-shift model.

Erste Group reviewed the FLI in the fourth quarter of 2022 according to the disclosed forecasts for baseline, downside, and upside scenarios. Erste Group decided to assign 40% scenario weight to baseline forecast and added assumptions from comprehensive stress test scenario to downside scenario design. These model adjustments took place to address the increased uncertainty of the macro-economic forecasts, higher downside risks and effects of those on ECL resulting from the unstable geopolitical situation – war in Ukraine. The main assumptions of the baseline scenario as well risks and assumption of the comprehensive stress test scenario, that was added to the modelled downside, are described in the corresponding chapters below. Scenario weights are disclosed in the table below per each region.

In December 2021, the specific situation of the Covid-19 pandemic was addressed in FLI via the lagging of the macroeconomic variables in credit risk parameters, i.e., variables of 2020 and 2021 were included as additional predictors for future values of credit risk parameters. Considering the improvement of the situation, Erste Group decided to update FLI based on the forecasts for years 2023-2025, i.e., no lagging is applied; however GDP' historical development was adjusted for the Covid-19 period (2020-2021) in order to reflect compensatory effect of the state support measures.

The bank is disclosing sensitivity of the staging and ECL on macro scenarios in the “Collective assessment” section below.

Baseline scenario

Erste Group expects the Eurozone economy to bottom out in the first quarter 2023 followed by a gradual recovery of the economy from the second quarter 2023. The main factor supporting the constructive baseline outlook for the Eurozone in 2023 and 2024 is easing inflationary pressures on a domestic and as well as on global level. European gas- and electricity prices have dropped substantially and easing pressures from global supply chains are expected to ease inflationary pressures in the coming months even further. Erste Group forecasts that in this environment we will see a gradual acceleration of consumption and investments as the year progresses. In this environment Erste Group expects the ECB to gradually slow down its pace of monetary tightening in the course of the year.

Risks to the baseline scenario and comprehensive stress test scenario as considerations added to downside scenario

The fast rise of interest rates is a threat for the investment activity of companies and consumers and could lead to lower investments than currently anticipated for our base case scenario. If Europe fails to secure enough liquefied natural gas for the next winter, we could see another spike of electricity and gas prices harming industrial activity and hurting the consumers purchasing power. The war in Ukraine remains significant risk factor. If it escalates further this could potentially harm the sentiment of global investors vs the Eurozone with potential dampening effects on growth. Russia could cut off gas supply to an increased number of “unfriendly” countries. Energy security becomes a priority for EU policymakers who regard the momentum to become less dependent from Russian commodities and to accelerate the transition to a low carbon economy. This goal triggers an energy policy shock, whereby the price of CO2 emissions skyrocket in the first year, crystalizing a disorderly transition risk. The energy policy shock exacerbates the increase in energy/consumer prices and de anchors inflation expectations; prompting the ECB to tighten monetary policy aggressively (affecting the entire yield curve) to keep inflation under control. Higher Harmonized Index of Consumer Prices (HICP), especially electricity/gas bills, reduces disposable income and contracts consumption. Given the high debt inherited from the pandemic, increasing military spending and expansive fiscal policies to mitigate higher energy prices/influx of refugees make investors to question debt sustainability.

Macro-shift FLI models are recalibrated regularly to reflect the most relevant macro-variables. Recalibration is performed by the local entities, and variables with the highest statistical relevance are included. Below we are summarizing the most relevant variables for the macro-shift model in the most significant regions. Additionally, baseline and weighted scenario outcome for the major variables is disclosed in the tabular format for the years 2023-2025.

Austria, Czech Republic, Slovakia, and Romania are presented as they have the highest share of credit risk exposure, expected credit loss and the highest share of FLI component in the expected credit loss measurement.

Macro-shift models are calibrated for the three main sub-portfolios: private individuals, micro enterprises, and other corporate business. Models' calibration and variables disclosed below are incorporated into expected credit loss measurement as of 31 December 2022.

Baseline, upside and downside scenarios of GDP growth by geographic region

		Scenario weights		GDP growth in %		
	Scenario	2023-2025	-	2023	2024	2025
Dec 22						
Austria	Upside	1%		2.9	3.5	3.9
	Baseline	40%		0.6	1.2	1.6
	Downside	59%		-4.6	-1.9	0.1
Czech Republic	Upside	1%		3.4	6.2	5.9
	Baseline	40%		0.9	3.7	3.4
	Downside	59%		-4.9	-0.3	0.9
Slovakia	Upside	1%		3.6	4.7	4.1
	Baseline	40%		1.5	2.6	2.0
	Downside	59%		-4.6	-2.2	1.1
Romania	Upside	1%		5.7	8.3	7.8
	Baseline	40%		2.7	5.3	4.8
	Downside	59%		-3.0	0.2	2.8
Hungary	Upside	1%		2.7	6.7	5.9
	Baseline	40%		0.2	4.2	3.4
	Downside	59%		-6.5	0.5	1.8
Croatia	Upside	1%		3.2	4.7	6.1
	Baseline	40%		1.0	2.5	2.5
	Downside	59%		-3.9	-1.0	0.4
Serbia	Upside	1%		4.7	5.7	5.8
	Baseline	40%		3.0	4.0	4.1
	Downside	59%		-2.7	0.1	2.4
Dec 21						
Austria	Upside	1%	-6.2	5.9	6.1	3.8
	Baseline	40%	-6.2	4.4	4.6	2.3
	Downside	59%	-6.2	-1.7	2.0	0.1
Czech Republic	Upside	11%	-5.8	4.1	5.7	6.4
	Baseline	40%	-5.8	2.4	4.0	4.7
	Downside	49%	-5.8	-2.3	0.5	1.8
Slovakia	Upside	17%	-4.8	4.9	6.1	5.6
	Baseline	40%	-4.8	3.0	4.2	3.7
	Downside	43%	-4.8	-2.5	-0.0	0.8
Romania	Upside	14%	-3.7	9.0	6.6	7.6
	Baseline	40%	-3.7	6.4	4.0	5.0
	Downside	46%	-3.7	-1.7	-0.5	2.0
Hungary	Upside	6%	-5.0	7.8	5.8	5.6
	Baseline	40%	-5.0	6.7	4.7	4.5
	Downside	54%	-5.0	0.1	1.3	2.3
Croatia	Upside	1%	-8.0	12.4	10.8	9.9
	Baseline	40%	-8.0	8.7	4.8	4.5
	Downside	59%	-8.0	-1.0	-1.2	1.0
Serbia	Upside	9%	-1.0	8.6	6.1	6.1
	Baseline	40%	-1.0	7.0	4.5	4.5
	Downside	51%	-1.0	0.4	1.1	2.5

Baseline and scenario weighted values of the main variables in the most significant regions

	Baseline scenario			Scenario weighted outcome		
	2023	2024	2025	2023	2024	2025
Dec 22						
Austria						
GDP growth	0.6	1.2	1.6	-2.4	-0.6	0.7
Inflation	5.2	2.8	2.0	6.3	3.5	2.3
Yields_10Y	2.2	2.2	2.2	2.6	3.0	3.3
Czech Republic						
Unemployment Rate	3.3	3.4	3.4	3.8	4.5	4.4
Inflation (PPI)	144.2	146.6	149.6	146.2	148.7	151.7
Slovakia						
Unemployment Rate	6.5	6.5	6.3	7.6	7.9	7.6
Inflation	9.3	4.5	3.5	10.5	5.9	4.3
Romania						
GDP growth	2.7	5.3	4.8	-0.6	2.3	3.7
Interest Rate (ROBOR 3M)	7.3	6.0	4.5	9.3	8.9	8.1
Inflation (CPI)	10.5	5.8	3.4	11.8	7.6	4.2

Collective assessment

As of December 2022, in addition to standard SICR assessment, Erste Group applied collective SICR assessment (“stage overlays”), i.e., transfer into Stage 2 based on pre-defined portfolio characteristics, due to the uncertainty caused by the war in Ukraine and the energy crisis. This approach was aligned with all affected entities and business lines and approved by the respective governance bodies of Erste Group. It requires, after the assessment of the outliers from the common portfolio characteristics, to have exemptions from the collective SICR assessment, if properly documented why they would behave differently than the rest of the portfolio.

Until the fourth quarter of 2022, Erste Group had in place overlays addressing Covid-19 as well. Improved pandemic situation over 2022 enabled discontinuation of Covid-19 related overlays, resulting in the release of EUR 184 million during 2022.

War in Ukraine and energy crisis

The Ukraine-Russia war, intensified challenges for both risk and business divisions: a rally in energy prices on the one hand and disruptions in supply chains on the other hand. The first ones had implications on various industries, mainly those with energy intensive production processes, but also impacting segments with high fuel cost shares. Issues with supply chains are managed by affected clients with diverse measures aiming to safeguard the business activity and liquidity (amongst others: active working capital management, targeted stocking-up, output adaptation, renegotiations with off takers etc.), in some cases also by ensuring backup/liquidity financing. Developments as mentioned above are reflected in the regular updates of the industry strategies.

In June 2022, Erste Group implemented rules for collective staging assessment due to the war in Ukraine (UA war overlays) as a combination of industries with correlation to economic downturn (cyclical industries) and one-year IFRS PD. These rules were defined on top of existing criteria mentioned in the section “Significant increase in credit risk determination – Qualitative criteria” (Stage 2 identification based on the early warning signal and negative information about geopolitical risk).

In addition to cyclical industries, from September 2022 Erste Group has introduced additional Energy stage overlay due to the current distortions in the energy market with implications on gas/energy availability and price. Two-folds effects were identified. Effects of gas rationing/shortage on clients either due to energy intensive production processes or relying on gas as a primary input in their business processes. Vulnerability is driven by gas dependency, (limited) substitution possibilities and implications of a substitution on financials, hedging and price mechanisms. Within the industry Natural Resources and Commodities, Metals and Chemical subindustries were identified as being most affected. All companies belonging to the Energy sector as the whole industry can potentially be affected by the massive shortages and distortions in the current energy market: price volatility, margin calls, price caps, weaknesses of the European energy infrastructure, fixed off-take contracts (putting off-takers at risk when stopped and/or limiting producers of renewable energy profiting from the higher prices), etc. All customers belonging to these industries/sub-industries were migrated to Stage 2. However, certain business models in the energy sector rather benefit from the current situation and, thus, do not match the overall portfolio characteristics as energy sector is widely defined. Such entities, are, in line with the requirements of IFRS 9 B.5.5.5, excluded.

Out of the overall credit risk exposure of EUR 349 billion (2021: EUR 312 billion) portfolio under collective staging assessment represents:

- _ EUR 90.6 billion of cyclical industries, out of which EUR 17.4 billion is in Stage 2;
- _ EUR 22.2 billion of energy intensive industries, out of which EUR 17.9 billion is in Stage 2.

In the Czech Republic and Croatia, local risk management assessed that the re-calibration of private individuals’ macro shift FLI model did not bring feasible results and therefore does not sufficiently address current situation. Therefore, the additional SICR collective assessment on Private individual side was introduced, triggering additional migration of the exposure of EUR 1.6 billion to Stage 2 as of 31 December 2022. This resulted in EUR 21 million ECL increase.

Effect on expected credit loss

The analysis tables below present the effects of the portfolio overlays and FLI on both exposure migration to Stage 2 and the resulting increase of ECL. Additional sensitivities to the baseline, upside and downside scenarios are simulated. Effects on geographical segments are disclosed.

The discontinuation of Covid-19 related overlays in fourth quarter of 2022 led to the zero additional transfers into Stage 2 (EUR 10,726 million in December 2021) and ECL allocation (EUR 184 million in December 2021) due to Covid-19.

Exposure in Stage 2 due to the application of the rules for Ukraine war collective SICR assessment stood at for cyclical industries EUR 7,092 million in December 2022 and EUR 17,345 million for energy overlays in December 2022, with additional ECL allocated in the amount of EUR 184 million for cyclical industries and EUR 150 million for energy overlays.

As described above, FLI were re-assessed based on the latest macro-scenarios in the fourth quarter of 2022. Effects of the macro-environment development compensated for the Covid-19 crisis year lagging. Therefore, Stage 2 exposure due to FLI increased slightly to EUR 5,554 million as of December 2022 (EUR 5,203 million in December 2021). The increase of the Stage 2 exposure and PD levels affected the level of ECL allocated in Stage 2 due to FLI: EUR 572 million as of December 2022 versus EUR 550 million as of December 2021.

Scenario simulation presents sensitivity analyses taking into consideration only changes due to the different values of PDs, if baseline, upside or downside FLI scenarios had 100% weight. Sensitivities of these scenarios are calculated in comparison to current production - weighted scenarios FLI shifted - PDs (weights and scenarios are disclosed in the "Incorporation of forward-looking information" section above). Both staging and resulting ECL were simulated with the scenario PDs.

The incorporation of 100% baseline scenario instead of the currently applied weighted scenario outcome would lead to a decrease of Stage 2 exposure by EUR 3,771 million (2021: EUR 4,239 million), resulting in an ECL drop by EUR 296 million (2021: EUR 334 million).

The downside scenario would lead to additional EUR 3,121 million of exposure migration to Stage 2 in comparison with scenario weighted FLI (2021: EUR 4,612 million), resulting in ECL increase of EUR 238 million (2021: EUR 315 million).

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

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

Impact on credit risk exposure by geographical operating segment

Current status - parameters (FLI shifted)									Simulations - difference to FLI shifts effect		
in EUR million	Stage 2 impact by								Upside scenario	Baseline scenario	Downside scenario
	Stage 1	Stage 2	Total	Collective assessment due to				FLI shifts			
				Covid-19	UA war - Cyclical	UA war - Energy	UA war - PI				
Dec 22											
Austria	135,236	32,407	167,643	+0	+4,976	+11,352	+0	+3,489	-3,727	-2,598	+1,889
EBOe & Subs.	43,281	7,179	50,460	+0	+927	+1,340	+0	+828	-883	-632	+363
Savings Banks	61,345	14,565	75,910	+0	+3,906	+2,440	+0	+1,578	-1,716	-1,073	+964
Other Austria	30,611	10,663	41,273	+0	+143	+7,571	+0	+1,083	-1,128	-893	+562
CEE	124,821	19,079	143,900	+0	+2,116	+5,993	+1,628	+2,065	-1,905	-1,173	+1,232
Czech Republic	63,049	8,032	71,081	+0	+851	+2,109	+1,286	+715	-601	-269	+261
Slovakia	22,712	3,062	25,774	+0	+283	+1,129	+0	+18	-121	-114	+212
Romania	15,924	3,771	19,695	+0	+311	+1,138	+0	+1,104	-1,012	-669	+558
Hungary	9,986	1,250	11,236	+0	+224	+677	+0	+157	-113	-77	+69
Croatia	10,670	2,612	13,282	+0	+427	+767	+342	+12	-3	-2	+4
Serbia	2,479	352	2,831	+0	+19	+174	+0	+61	-55	-42	+128
Other	11,454	100	11,555	+0	+0	+0	+0	+0	+0	+0	+0
Total	271,511	51,587	323,098	+0	+7,092	+17,345	+1,628	+5,554	-5,632	-3,771	+3,121
Dec 21											
Austria	127,109	24,314	151,423	+8,179	+0	+0	+0	+3,291	-4,734	-3,486	+3,382
EBOe & Subs.	40,962	7,070	48,032	+2,405	+0	+0	+0	+654	-1,076	-712	+826
Savings Banks	59,909	11,496	71,405	+4,197	+0	+0	+0	+1,333	-2,086	-1,467	+1,694
Other Austria	26,238	5,748	31,986	+1,577	+0	+0	+0	+1,304	-1,572	-1,306	+862
CEE	120,208	12,699	132,908	+2,548	+0	+0	+0	+1,912	-1,226	-753	+1,230
Czech Republic	63,519	5,610	69,129	+716	+0	+0	+0	+872	-416	-323	+354
Slovakia	19,402	2,130	21,532	+823	+0	+0	+0	+57	-277	-151	+414
Romania	14,675	2,337	17,012	+241	+0	+0	+0	+851	-442	-214	+364
Hungary	10,069	928	10,997	+245	+0	+0	+0	+76	-30	-16	+19
Croatia	10,156	1,535	11,691	+439	+0	+0	+0	+29	-41	-33	+63
Serbia	2,387	159	2,546	+82	+0	+0	+0	+26	-20	-16	+16
Other	7,966	16	7,982	+0	+0	+0	+0	+0	+0	+0	+0
Total	255,284	37,029	292,313	+10,726	+0	+0	+0	+5,203	-5,960	-4,239	+4,612

Impact on credit loss allowances by geographical operating segment

Current status - parameters (FLI shifted)									Simulations - difference to FLI shifts effect		
in EUR million	Out of which:								Upside scenario	Baseline scenario	Downside scenario
	Stage 1	Stage 2	Total	Collective assessment due to				FLI shifts			
				Covid-19	UA war - Cyclical	UA war - Energy	UA war - PI				
Dec 22											
Austria	-169	-772	-942	+0	-104	-85	+0	-205	+201	+129	-98
EBOe & Subs.	-43	-169	-211	+0	-19	-10	+0	-50	+49	+32	-21
Savings Banks	-91	-434	-525	+0	-83	-29	+0	-105	+104	+66	-48
Other Austria	-36	-170	-206	+0	-2	-46	+0	-49	+48	+32	-29
CEE	-296	-975	-1,271	+0	-80	-65	-21	-368	+280	+166	-140
Czech Republic	-99	-332	-431	+0	-33	-14	-16	-87	+59	+24	-20
Slovakia	-49	-122	-171	+0	-11	-9	+0	-15	+12	+8	-5
Romania	-67	-314	-381	+0	-14	-16	+0	-198	+171	+110	-93
Hungary	-30	-62	-91	+0	-5	-3	+0	-38	+27	+17	-12
Croatia	-37	-127	-164	+0	-18	-19	-6	-21	+3	+2	-1
Serbia	-15	-18	-33	+0	-0	-4	+0	-8	+7	+5	-7
Other	-4	-3	-7	+0	+0	+0	+0	+0	+0	+0	+0
Total	-470	-1,750	-2,220	+0	-184	-150	-21	-572	+481	+296	-238
Dec 21											
Austria	-221	-663	-883	-97	+0	+0	+0	-233	+361	+234	-189
EBOe & Subs.	-48	-157	-204	-30	+0	+0	+0	-45	+76	+48	-39
Savings Banks	-135	-349	-484	-58	+0	+0	+0	-112	+178	+114	-96
Other Austria	-38	-157	-195	-10	+0	+0	+0	-76	+107	+72	-54
CEE	-327	-823	-1,151	-86	+0	+0	+0	-317	+158	+99	-126
Czech Republic	-118	-288	-406	-18	+0	+0	+0	-108	+22	+16	-19
Slovakia	-49	-119	-168	-16	+0	+0	+0	-20	+36	+22	-30
Romania	-69	-220	-289	-11	+0	+0	+0	-128	+56	+27	-48
Hungary	-24	-65	-88	-6	+0	+0	+0	-30	+9	+5	-5
Croatia	-55	-118	-173	-32	+0	+0	+0	-24	+31	+28	-22
Serbia	-13	-13	-26	-4	+0	+0	+0	-6	+4	+2	-3
Other	-2	0	-2	+0	+0	+0	+0	+0	+0	+0	+0
Total	-550	-1,486	-2,036	-184	+0	+0	+0	-550	+520	+334	-315

41. Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Forbearance can be initiated by the bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

A restructuring is considered "forbearance" if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- _ the customer was more than 30 days past due in the past 3 months;
- _ the customer would be 30 days past due or more without receiving forbearance;
- _ the customer is in default;
- _ the customer would default without receiving forbearance.

Additional criteria for non-retail segment:

- _ early warning signals for this customer identified;
- _ customer has deteriorated financial figures, which led to decline of the rating grade;
- _ customer has increased probability of default.

Forbearance concession triggers the performing forbearance classification and means that any of the following conditions are met:

- _ modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- _ there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- _ the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution;
- _ activation of embedded forbearance clause of the contract;
- _ any waiver of a material financial or non-financial covenant.

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all the following conditions are met:

- _ a minimum of two years has passed from the date of classifying the exposure as performing forbearance (probation period);
- _ under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid (significant repayment) at least during half of the probation period (in the case of retail customers);
- _ regular repayments in a significant amount during at least half of the probation period have been made (in the case of non-retail customers);
- _ significant repayment includes amount previously past-due (if any) or written-off (if no-past due amounts) for both segments retail and non-retail;
- _ none of the exposure of the customer is more than 30 days past due at the end of the probation period.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum two years:

- _ the contract modification involves total or partial cancellation of the debt by (partial) write-off;
- _ an additional forbearance measure is extended;
- _ the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category;
- _ the customer meets any of the default event criteria defined in the default definition;
- _ for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all the following conditions are met:

- _ one year has passed from the date of classifying the exposure as non-performing forbearance or from the latest of the following events:
 - _ the moment of extending the restructuring measure;
 - _ the end of the grace period included in the restructuring agreement;
 - _ the moment when the exposure has been classified as defaulted.
- _ the forbearance has not led the exposure to be classified as non-performing;
- _ the customer is not classified as defaulted according to the definition of default;
- _ retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
 - _ the customer has never been more than 30 days past due during the 12 months prior to the reclassification and there is no delinquent amount;
 - _ the customer has repaid the full past due amount or the written-off amount (if there was any).
- _ corporate customers: significant amount has been paid in regular repayments, analysis of financial development that leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the 12 months prior to the reclassification and there is no delinquent amount.

Credit risk exposure, forbearance exposure and credit loss allowances

in EUR million	Loans and advances	Debt securities	Other positions	Loan commitments	Total
Dec 22					
Gross exposure	224,531	52,111	24,090	48,434	349,166
thereof gross forborne exposure	4,088	0	1	128	4,218
Performing exposure	220,309	52,104	23,961	48,287	344,661
thereof performing forborne exposure	2,524	0	0	89	2,613
Credit loss allowances for performing exposure	-1,849	-41	-152	-246	-2,288
thereof credit loss allowances for performing forborne exposure	-105	0	0	-3	-109
Non-performing exposure	4,222	8	129	146	4,505
thereof non-performing forborne exposure	1,564	0	1	39	1,605
Credit loss allowances for non-performing exposure	-2,139	-5	-95	-46	-2,284
thereof credit loss allowances for non-performing forborne exposure	-675	0	-1	-20	-696
Dec 21					
Gross exposure	205,213	46,195	20,437	40,593	312,439
thereof gross forborne exposure	3,786	0	0	119	3,904
Performing exposure	200,843	46,195	20,311	40,464	307,813
thereof performing forborne exposure	2,141	0	0	79	2,220
Credit loss allowances for performing exposure	-1,677	-38	-172	-214	-2,101
thereof credit loss allowances for performing forborne exposure	-100	0	0	-3	-103
Non-performing exposure	4,371	0	126	129	4,626
thereof non-performing forborne exposure	1,644	0	0	40	1,684
Credit loss allowances for non-performing exposure	-2,267	0	-89	-69	-2,426
thereof credit loss allowances for non-performing forborne exposure	-763	0	0	-28	-791

Types of forbearance exposure

in EUR million	Gross forbore exposure	Modification in terms and conditions	Refinancing
Dec 22			
Loans and advances	4,088	3,771	317
Debt securities	0	0	0
Loan commitments	128	113	15
Total	4,216	3,885	332
Dec 21			
Loans and advances	3,786	3,519	267
Debt securities	0	0	0
Loan commitments	119	102	17
Total	3,904	3,620	284

Loans and advances also include lease, trade and other receivables.

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

in EUR million	Dec 21		Dec 22	
	Amortised cost before the modification	Net modification gains/losses	Amortised cost before the modification	Net modification gains/losses
Loans and advances				
General governments	15	0	16	0
Other financial corporations	201	0	95	0
Non-financial corporations	3,381	-1	1,545	1
Households	1,754	-11	862	-11
Total	5,350	-12	2,518	-10

As of 31 December 2022, the total GCA of Erste Group's debt instruments measured at AC, which were impacted by non-significant contractual modifications while they were assigned to Stage 2 or 3 and re-assigned to Stage 1 during the year 2022 amounted to EUR 1,606 million (2021: EUR 1,366 million).

42. Non-performing credit risk exposure and credit loss allowances

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

Credit loss allowances (all stages combined) covered 102.1% (2021: 98.4%) of the reported non-performing on-balance and off-balance credit risk exposure.

During 2022, the non-performing credit risk exposure decreased by EUR -121 million, or -2.6%, while the credit loss allowances for loans and advances together with credit loss allowances for loan commitments and financial guarantees slightly increased (EUR 61 million or 1.4%). This development resulted in a moderate increase of 3.6 percentage points in the coverage of non-performing credit risk exposure by credit risk allowances.

The following tables show the coverage of the non-performing credit risk exposure by credit loss allowances (without taking into consideration collateral) as of 31 December 2022 and 31 December 2021. The differences in the credit allowance levels between the reporting segments result from the risk situation in the respective markets, different levels of collateralisation as well as the local legal environment and regulatory requirements.

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

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

in EUR million	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage ratio	NPE collateralisation ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
Dec 22												
Austria	2,490	2,473	181,647	170,139	-1,939	1,245	1,244	1.4%	1.5%	78.4%	50.0%	50.3%
EBOe & Subs.	624	624	51,585	51,086	-421	378	378	1.2%	1.2%	67.5%	60.6%	60.6%
Savings Banks	1,380	1,370	79,360	77,299	-1,104	738	737	1.7%	1.8%	80.6%	53.5%	53.8%
Other Austria	486	480	50,702	41,753	-413	129	129	1.0%	1.1%	86.2%	26.6%	26.8%
CEE	1,997	1,928	155,874	146,007	-2,549	739	736	1.3%	1.3%	132.2%	37.0%	38.2%
Czech Republic	798	760	76,597	71,849	-917	239	239	1.0%	1.1%	120.6%	29.9%	31.4%
Slovakia	299	297	26,906	26,186	-375	147	147	1.1%	1.1%	126.4%	49.2%	49.5%
Romania	356	338	21,690	20,064	-632	120	120	1.6%	1.7%	187.0%	33.6%	35.5%
Hungary	178	173	12,982	11,426	-192	77	74	1.4%	1.5%	111.5%	43.4%	43.1%
Croatia	317	314	14,092	13,601	-370	145	145	2.2%	2.3%	117.9%	45.7%	46.1%
Serbia	50	47	3,607	2,880	-64	11	11	1.4%	1.6%	135.8%	23.2%	24.5%
Other	17	14	11,645	11,572	-19	9	6	0.2%	0.1%	132.4%	51.3%	41.0%
Total	4,505	4,416	349,166	327,718	-4,507	1,992	1,986	1.3%	1.3%	102.1%	44.2%	45.0%
Dec 21												
Austria	2,426	2,391	164,428	153,838	-1,891	1,259	1,258	1.5%	1.6%	79.1%	51.9%	52.6%
EBOe & Subs.	602	600	49,210	48,635	-422	349	349	1.2%	1.2%	70.4%	58.1%	58.2%
Savings Banks	1,387	1,383	75,109	72,809	-1,080	747	746	1.8%	1.9%	78.1%	53.8%	54.0%
Other Austria	438	408	40,109	32,394	-389	163	162	1.1%	1.3%	95.3%	37.2%	39.7%
CEE	2,183	2,112	139,901	135,201	-2,538	818	812	1.6%	1.6%	120.2%	37.5%	38.5%
Czech Republic	767	745	71,197	69,878	-860	220	220	1.1%	1.1%	115.5%	28.6%	29.5%
Slovakia	297	297	22,539	21,936	-368	152	152	1.3%	1.4%	124.1%	51.2%	51.2%
Romania	458	419	18,872	17,465	-606	141	141	2.4%	2.4%	144.8%	30.8%	33.7%
Hungary	200	191	12,238	11,222	-192	110	104	1.6%	1.7%	100.4%	55.0%	54.4%
Croatia	421	421	12,139	12,114	-461	186	186	3.5%	3.5%	109.3%	44.2%	44.2%
Serbia	40	39	2,917	2,586	-50	9	9	1.4%	1.5%	128.6%	23.0%	23.3%
Other	17	14	8,110	7,999	-18	8	6	0.2%	0.2%	122.7%	48.4%	38.6%
Total	4,626	4,517	312,439	297,038	-4,446	2,085	2,075	1.5%	1.5%	98.4%	45.1%	45.9%

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

in EUR million	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage ratio	NPE collateralisation ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
Dec 22												
Retail	1,381	1,375	80,364	79,453	-1,609	564	561	1.7%	1.7%	117.0%	40.8%	40.8%
Corporates	1,694	1,624	114,347	105,062	-1,713	675	674	1.5%	1.5%	105.5%	39.8%	41.5%
Group Markets	0	0	19,511	10,648	-22	0	0	0.0%	0.0%	>500.0%	6.2%	13.9%
ALM & LCC	32	32	55,409	55,152	-45	7	7	0.1%	0.1%	142.8%	22.2%	22.3%
Savings Banks	1,380	1,370	79,360	77,299	-1,104	738	737	1.7%	1.8%	80.6%	53.5%	53.8%
GCC	17	14	175	103	-14	9	6	10.0%	14.0%	95.4%	51.3%	41.0%
Total	4,505	4,416	349,166	327,718	-4,507	1,992	1,986	1.3%	1.3%	102.1%	44.2%	45.0%
Dec 21												
Retail	1,507	1,501	76,689	75,882	-1,557	616	610	2.0%	2.0%	103.7%	40.9%	40.6%
Corporates	1,693	1,598	91,644	86,598	-1,732	712	711	1.8%	1.8%	108.4%	42.1%	44.5%
Group Markets	2	2	18,815	11,947	-22	2	2	0.0%	0.0%	>500.0%	88.2%	88.4%
ALM & LCC	19	19	49,878	49,588	-40	0	0	0.0%	0.0%	207.5%	0.0%	0.0%
Savings Banks	1,387	1,383	75,109	72,809	-1,080	747	746	1.8%	1.9%	78.1%	53.8%	54.0%
GCC	17	14	304	214	-17	8	6	5.6%	6.7%	116.9%	48.4%	38.6%
Total	4,626	4,517	312,439	297,038	-4,446	2,085	2,075	1.5%	1.5%	98.4%	45.1%	45.9%

43. Detailed analysis of loans and advances to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken down by different categories. Loans and advances to customers comprise:

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

The presentation is by gross carrying amount excluding loan loss allowances and collateral.

Loans and advances to customers by geographical operating segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Dec 22						
Austria	111,966	0	2,027	2,930	2,543	119,466
EBOe & Subs.	39,117	0	871	44	34	40,066
Savings Banks	55,657	0	1,110	54	1,151	57,972
Other Austria	17,193	0	46	2,832	1,358	21,429
CEE	37,491	47,552	12	133	87	85,274
Czech Republic	6,424	32,193	1	62	64	38,744
Slovakia	18,246	0	0	7	23	18,275
Romania	3,482	8,186	0	40	0	11,708
Hungary	1,857	4,008	0	6	0	5,873
Croatia	5,913	2,668	10	15	0	8,607
Serbia	1,568	496	0	3	0	2,067
Other	1,274	36	4	8	27	1,349
Total	150,731	47,589	2,043	3,070	2,657	206,090

Dec 21						
Austria	101,287	0	2,300	2,913	1,972	108,472
EBOe & Subs.	36,283	0	999	69	58	37,409
Savings Banks	51,407	0	1,257	38	1,114	53,816
Other Austria	13,597	0	43	2,806	800	17,246
CEE	30,885	44,491	18	153	75	75,621
Czech Republic	4,377	29,978	0	58	47	34,459
Slovakia	16,204	0	0	4	27	16,236
Romania	3,011	7,123	0	71	0	10,204
Hungary	1,245	3,960	1	5	0	5,211
Croatia	4,665	2,922	16	11	0	7,614
Serbia	1,384	509	0	3	0	1,897
Other	33	42	4	5	0	84
Total	132,205	44,533	2,322	3,071	2,047	184,177

“CEE-LCY” refers to the CEE geographical segment view where the local currency is the currency of the respective country (e.g., CZK in Czech Republic, RON in Romania etc.).

Loans and advances to customers by geographical operating segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Austria	101,474	12,717	2,947	2,328	119,466
EBOe & Subs.	34,092	4,426	960	587	40,066
Savings Banks	47,599	7,468	1,602	1,304	57,972
Other Austria	19,783	823	385	437	21,429
CEE	64,138	15,209	4,052	1,876	85,274
Czech Republic	32,167	4,655	1,188	735	38,745
Slovakia	13,177	3,526	1,281	290	18,275
Romania	8,975	1,993	413	327	11,708
Hungary	3,151	1,861	694	167	5,873
Croatia	5,120	2,757	423	307	8,607
Serbia	1,548	417	52	49	2,067
Other	1,324	8	0	17	1,349
Total	166,936	27,934	7,000	4,220	206,090

Dec 21					
Austria	92,988	11,371	1,826	2,286	108,472
EBOe & Subs.	33,266	3,074	501	568	37,409
Savings Banks	44,147	7,290	1,070	1,309	53,816
Other Austria	15,575	1,008	255	409	17,246
CEE	59,613	10,456	3,487	2,065	75,621
Czech Republic	28,806	3,854	1,078	722	34,459
Slovakia	13,647	1,353	941	295	16,236
Romania	8,340	1,172	292	400	10,204
Hungary	3,572	917	529	194	5,211
Croatia	3,830	2,816	553	415	7,614
Serbia	1,418	345	94	39	1,897
Other	43	23	0	17	84
Total	152,645	21,851	5,313	4,368	184,177

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 22					
Retail	57,514	9,391	3,007	1,362	71,274
Corporates	59,381	10,975	2,217	1,512	74,084
Group Markets	939	6	45	0	990
ALM & LCC	1,471	89	129	26	1,715
Savings Banks	47,599	7,468	1,602	1,304	57,972
GCC	33	6	0	17	56
Total	166,936	27,934	7,000	4,220	206,090
Dec 21					
Retail	57,845	5,036	2,285	1,489	66,655
Corporates	49,866	9,466	1,859	1,549	62,740
Group Markets	698	8	3	0	709
ALM & LCC	60	41	96	4	201
Savings Banks	44,147	7,290	1,070	1,309	53,816
GCC	28	10	0	17	55
Total	152,645	21,851	5,313	4,368	184,177

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

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

in EUR million	Non-performing		Customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Dec 22												
Austria	2,328	2,321	119,466	119,405	-1,637	1,223	1,221	1.9%	1.9%	70.5%	52.5%	52.6%
EBOe & Subs.	587	587	40,066	40,059	-362	370	370	1.5%	1.5%	61.7%	63.0%	63.0%
Savings Banks	1,304	1,303	57,972	57,968	-959	723	723	2.2%	2.2%	73.6%	55.5%	55.5%
Other Austria	437	431	21,429	21,378	-316	129	129	2.0%	2.0%	73.2%	29.6%	29.8%
CEE	1,876	1,873	85,274	84,497	-2,331	719	716	2.2%	2.2%	124.5%	38.3%	38.2%
Czech Republic	735	735	38,744	38,744	-863	228	228	1.9%	1.9%	117.4%	31.0%	31.0%
Slovakia	290	290	18,275	18,275	-352	147	147	1.6%	1.6%	121.3%	50.5%	50.5%
Romania	327	327	11,708	11,708	-560	116	116	2.8%	2.8%	171.4%	35.5%	35.5%
Hungary	167	164	5,873	5,096	-172	76	73	2.8%	3.2%	104.6%	45.3%	44.5%
Croatia	307	307	8,607	8,607	-325	142	142	3.6%	3.6%	105.9%	46.1%	46.1%
Serbia	49	49	2,067	2,067	-59	11	11	2.4%	2.4%	119.8%	23.2%	23.2%
Other	17	14	1,349	1,349	-14	9	6	1.3%	1.1%	96.3%	52.0%	41.7%
Total	4,220	4,208	206,090	205,251	-3,981	1,951	1,944	2.0%	2.1%	94.6%	46.2%	46.2%
Dec 21												
Austria	2,286	2,256	108,472	108,400	-1,568	1,233	1,232	2.1%	2.1%	69.5%	53.9%	54.6%
EBOe & Subs.	568	568	37,409	37,400	-353	344	344	1.5%	1.5%	62.0%	60.5%	60.5%
Savings Banks	1,309	1,309	53,816	53,809	-918	726	726	2.4%	2.4%	70.2%	55.5%	55.5%
Other Austria	409	379	17,246	17,191	-297	163	162	2.4%	2.2%	78.2%	39.8%	42.7%
CEE	2,065	2,059	75,621	74,888	-2,352	802	796	2.7%	2.7%	114.2%	38.8%	38.7%
Czech Republic	722	722	34,459	34,459	-804	213	213	2.1%	2.1%	111.3%	29.5%	29.5%
Slovakia	295	295	16,236	16,236	-342	152	152	1.8%	1.8%	115.9%	51.4%	51.4%
Romania	400	400	10,204	10,204	-553	137	137	3.9%	3.9%	138.2%	34.4%	34.4%
Hungary	194	188	5,211	4,477	-179	107	102	3.7%	4.2%	95.4%	55.4%	54.1%
Croatia	415	415	7,614	7,614	-426	184	184	5.5%	5.5%	102.5%	44.2%	44.2%
Serbia	39	39	1,897	1,897	-49	9	9	2.1%	2.1%	124.4%	23.4%	23.4%
Other	17	14	84	81	-17	8	6	20.4%	17.6%	116.1%	48.4%	38.6%
Total	4,368	4,330	184,177	183,369	-3,936	2,043	2,034	2.4%	2.4%	90.9%	46.8%	47.0%

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

The NPL ratio of loans and advances to customers is calculated by dividing the gross carrying amount of non-performing loans and advances to customers by the total gross carrying amount of loans and advances to customers. Consequently, it differs from the NPE ratio in section "Credit risk exposure". Collaterals for non-performing loans mainly consist of real estates.

The NPL coverage ratio is calculated by dividing total loss allowances by the gross carrying amount of the non-performing loans and advances to customers. Collateral is not considered.

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

in EUR million	Non-performing		Customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Dec 22												
Retail	1,362	1,359	71,274	70,496	-1,560	559	556	1.9%	1.9%	114.8%	41.0%	40.9%
Corporates	1,512	1,506	74,084	74,028	-1,429	652	652	2.0%	2.0%	94.9%	43.1%	43.3%
Group Markets	0	0	990	990	-2	0	0	0.0%	0.0%	>500.0%	28.8%	28.8%
ALM & LCC	26	26	1,715	1,715	-18	7	7	1.5%	1.5%	67.5%	27.0%	27.0%
Savings Banks	1,304	1,303	57,972	57,968	-959	723	723	2.2%	2.2%	73.6%	55.5%	55.5%
GCC	17	14	56	55	-13	9	6	31.0%	25.9%	94.0%	52.0%	41.7%
Total	4,220	4,208	206,090	205,251	-3,981	1,951	1,944	2.0%	2.1%	94.6%	46.2%	46.2%
Dec 21												
Retail	1,489	1,483	66,655	65,921	-1,505	612	606	2.2%	2.2%	101.5%	41.1%	40.9%
Corporates	1,549	1,520	62,740	62,675	-1,488	697	696	2.5%	2.4%	97.9%	45.0%	45.8%
Group Markets	0	0	709	709	-2	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	4	4	201	201	-6	0	0	2.2%	2.2%	129.1%	0.1%	0.1%
Savings Banks	1,309	1,309	53,816	53,809	-918	726	726	2.4%	2.4%	70.2%	55.5%	55.5%
GCC	17	14	55	53	-17	8	6	30.8%	26.9%	116.1%	48.4%	38.6%
Total	4,368	4,330	184,177	183,369	-3,936	2,043	2,034	2.4%	2.4%	90.9%	46.8%	47.0%

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

in EUR million	Loans to customers					Loan loss allowances				Coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 22												
Austria	92,420	24,642	2,277	65	61	-123	-603	-910	-1	2.4%	40.0%	0.9%
EBOe & Subs.	33,461	6,008	577	12	7	-33	-139	-190	0	2.3%	32.9%	0.0%
Savings Banks	44,419	12,227	1,269	53	4	-71	-360	-527	-1	2.9%	41.5%	1.1%
Other Austria	14,539	6,408	431	0	50	-19	-103	-193	0	1.6%	44.8%	0.0%
CEE	68,048	14,428	1,734	287	777	-237	-851	-1,156	-87	5.9%	66.6%	30.3%
Czech Republic	31,524	6,478	688	54	1	-80	-307	-456	-20	4.7%	66.2%	36.4%
Slovakia	15,628	2,267	280	100	0	-44	-111	-166	-32	4.9%	59.2%	31.8%
Romania	8,759	2,593	301	54	0	-54	-266	-230	-10	10.3%	76.4%	17.7%
Hungary	4,007	908	134	47	777	-20	-54	-86	-12	5.9%	63.8%	25.1%
Croatia	6,443	1,851	283	29	0	-28	-96	-188	-13	5.2%	66.4%	46.0%
Serbia	1,687	331	47	2	0	-11	-18	-30	0	5.3%	64.5%	22.6%
Other	1,327	4	17	0	1	-2	0	-12	0	2.9%	68.6%	0.0%
Total	161,795	39,074	4,029	352	839	-361	-1,454	-2,078	-87	3.7%	51.6%	24.8%
Dec 21												
Austria	85,834	20,286	2,227	54	72	-152	-488	-927	-1	2.4%	41.6%	1.5%
EBOe & Subs.	30,887	5,942	565	6	10	-33	-118	-201	0	2.0%	35.6%	0.0%
Savings Banks	42,784	9,696	1,282	47	7	-99	-273	-546	-1	2.8%	42.6%	1.7%
Other Austria	12,163	4,648	379	0	55	-21	-96	-180	0	2.1%	47.3%	0.0%
CEE	62,150	10,541	1,923	274	734	-259	-750	-1,256	-87	7.1%	65.3%	31.8%
Czech Republic	29,306	4,428	674	52	0	-98	-264	-422	-20	6.0%	62.6%	38.2%
Slovakia	13,924	1,951	290	72	0	-43	-111	-166	-22	5.7%	57.3%	30.6%
Romania	7,865	1,907	377	55	0	-54	-198	-288	-13	10.4%	76.4%	24.4%
Hungary	3,413	844	155	66	734	-16	-61	-85	-17	7.2%	54.9%	25.9%
Croatia	5,940	1,257	389	28	0	-37	-104	-270	-15	8.3%	69.4%	52.6%
Serbia	1,702	155	37	2	0	-11	-13	-24	0	8.4%	64.7%	21.4%
Other	49	15	17	0	2	-1	0	-16	0	0.3%	91.9%	0.0%
Total	148,033	30,842	4,167	327	808	-412	-1,238	-2,198	-88	4.0%	52.8%	26.8%

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

The defaulted part of POCI loans amounted to EUR 181 million (2021: EUR 165 million), the non-defaulted part to EUR 172 million (2021: EUR 162 million).

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

in EUR million	Loans to customers					Loan loss allowances				Coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 22												
Retail	59,702	9,385	1,321	88	779	-151	-598	-788	-23	6.4%	59.7%	26.1%
Corporates	55,126	17,294	1,397	211	56	-135	-494	-736	-64	2.9%	52.7%	30.3%
Group Markets	836	153	0	0	0	-1	-1	0	0	0.8%	38.0%	60.3%
ALM & LCC	1,675	14	26	0	0	-1	-1	-15	0	7.7%	58.3%	21.3%
Savings Banks	44,419	12,227	1,269	53	4	-71	-360	-527	-1	2.9%	41.5%	1.1%
GCC	36	2	17	0	1	-1	0	-12	0	6.9%	68.6%	0.0%
Total	161,795	39,074	4,029	352	839	-361	-1,454	-2,078	-87	3.7%	51.6%	24.8%
Dec 21												
Retail	56,634	7,746	1,440	101	734	-160	-488	-830	-28	6.3%	57.6%	27.6%
Corporates	47,819	13,255	1,423	178	65	-151	-475	-802	-59	3.6%	56.4%	33.2%
Group Markets	580	129	0	0	0	-1	-1	0	0	0.9%	18.5%	0.0%
ALM & LCC	183	14	4	0	0	-1	-1	-4	0	5.5%	99.5%	0.0%
Savings Banks	42,784	9,696	1,282	47	7	-99	-273	-546	-1	2.8%	42.6%	1.7%
GCC	34	2	17	0	2	-1	0	-16	0	2.3%	91.9%	0.0%
Total	148,033	30,842	4,167	327	808	-412	-1,238	-2,198	-88	4.0%	52.8%	26.9%

The NPL exposures above exclude any write-offs recognised in accordance with IFRS 9. Erste Group distinguishes between contractual write-offs (debt forgiveness towards the defaulted client, either unconditional or subject to conditions) and technical write-offs (claim removal from the books due to no reasonable expectation of recovery, whereby the legal claim towards the customer remains). Both types of write-offs have as a pre-condition that all reasonable workout measures and late collections tools have been applied for optimal recovery. In case of collateralised loans, write-off prior to the realisation of the collateral is not allowed unless specific circumstances apply. Additional technical write-off triggers include enforcement, worthlessness of claim/collateral, legally binding bankruptcy/liquidation or other economic loss of the rights to claim/sale. The amount written off during 2022, which is still subject to enforcement activity, totals EUR 113 million (2021: EUR 157 million).

44. Securitisations

As of 31 December 2022, Erste Group held a further reduced residual portfolio of investment-grade rated securitisations; there were no new investments undertaken. The carrying amount of Erste Group's securitisation portfolio totalled EUR 1.9 million.

45. Market risk

Market risk is the risk of loss that may arise due to adverse changes in market prices and to the parameters derived from them. These market value changes might appear in the profit and loss account, in the statement of comprehensive income or in hidden reserves. At Erste Group, market risk is divided into interest rate risk; credit spread risk, currency risk, equity risk, commodity risk, and volatility risk. This concerns both trading and banking book positions.

Methods and instruments employed

At Erste Group, potential losses that may arise from market movements are assessed using the value at risk (VaR) methodology. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions

The VaR calculation for the trading book is based on the methodology of historical simulation with a one-sided confidence level of 99%, a holding period of one day, and a look back period of two years.

Back-testing for the trading book is used to constantly monitor the validity of the internal market risk model. This process is conducted with a one-day delay to monitor if the model projections regarding losses have actually materialised. At a confidence level of 99%, the actual loss on a given day should exceed the VaR estimate statistically only two to three times a year (1% of around 250 workdays).

The VaR calculation for banking book positions (BB-VaR) is based on the methodology used for ICAAP calculation of Erste Group where 250.000 historical scenarios (starting with 2010) are calculated with a theoretical holding period of 1 year and a confidence level of 99.92%. The same calculation is used for the BB-VaR with a 1 day holding period and a 99% confidence level, consistent with the trading book methodology. The results of both calculations, ICAAP and BB-VaR are presented in the Group ALCO to the management board.

A known limitation of the VaR approach is that on the one hand, that it estimates losses only up to the confidence level, and on the other hand, the model considers only those market scenarios observed within the look-back period to calculate the VaR for the current position of

the bank. To address this limitation and to investigate any extreme market situations not reflected in the VaR approach, stress tests are conducted at Erste Group. These stress tests are designed to cover market movements of low probability and high impact.

The stress tests are carried out according to several methods: for the trading book, a stressed VaR (SVaR) is derived from the normal VaR calculation. But instead of simulating only over the two most recent years, an analysis of a much longer period is carried out to identify a one-year period that constitutes a relevant period of stress for the current portfolio mix. According to the legal framework, that one-year stressed period is used to calculate a VaR with a 99% confidence level. This enables Erste Group on the one hand to hold sufficient own funds available for the trading book even in periods of elevated market volatility, while on the other hand also enabling it to incorporate these resulting effects into the management of trading positions.

Standard scenarios are also defined, in which selected market risk factors are subject to extreme movements. Such scenarios are calculated at Erste Group for interest rates, stock prices, exchange rates and volatilities. Historic scenarios are a modification of the concept of standard scenarios. In this case, risk factor movements modelled after certain crisis events such as “Covid-19 crisis” or “Lehman bankruptcy” form the basis of the stress calculation. In addition, hypothetical stress test scenarios are defined based on analysis of the current economic environment and projections of adverse developments of key market risk drivers. These analyses are made available to the Market Risk Committee within the scope of the regular market risk reporting. Banking book positions are considered in the comprehensive stress test.

Methods and instruments of risk mitigation

At Erste Group, market risks are controlled in the trading book by setting several layers of limits. The overall limit on the basis of risk-weighted assets (RWAs) for the trading book is allocated by the management board in the Risk Appetite Statement while taking into account the risk-bearing capacity and projected earnings. A further breakdown in VaR, SVaR, and sensitivity limits is done by the Market Risk Committee on the basis of a proposal from the Trading Book Risk Management unit.

All market risk activities of the trading book are assigned risk limits that are entirely consistent with the overall RWA limit. The RWA limit is broken down into dedicated VaR and SVaR limits and assigned in a top-down procedure to the individual trading units. Additionally, in a bottom-up procedure, sensitivity limits are assigned on trading desk level in order to control exposures to individual risk drivers and ensure sufficient diversification. These are then aggregated and applied as a second-limit layer to the VaR and SVaR limits.

Limit compliance is verified at two levels: by the appropriate local risk management unit and by the Trading Book Risk Management unit. The monitoring of sensitivity limits is performed on both intraday and end-of-day basis. On demand, limit reports can also be triggered by the trading units or risk management on an ad-hoc basis.

Trading book VaR and SVaR are calculated daily at group level and reported to all key stakeholders including the relevant board members. In case of a limit breach, the escalation procedure ensures the timely remediation of the limit breach.

In Banking Book, limits are implemented top-down from Group to individual entity covering change in economic value and in net interest income as well as limits on market risk Pillar 2 RWA. Limit monitoring is done by respective local risk management and Group Banking Book Risk Management. Dedicated escalation procedure is in place in case of limit breaches.

Analysis of market risk

The following tables show the VaR amounts at the 99% confidence level using equally weighted market data and with a holding period of one day. The figures do not cover exposures which are accounted for in the standardized approach (e.g., FX risks in the banking book, specific position risk):

Value at Risk of banking book and trading book

in EUR thousand	Total	Interest	Credit spread	Currency	Shares	Commodity	Volatility
Dec 22							
Erste Group	85,976	87,202	16,356	980	1,583	211	1,064
Banking book	81,705	82,929	16,356	-	-	-	-
Trading book	4,271	4,273	-	980	1,583	211	1,064
Dec 21							
Erste Group	52,336	51,925	16,431	1,140	2,216	247	1,012
Banking book	47,130	48,119	16,431	-	-	-	-
Trading book	5,206	3,806	-	1,140	2,216	247	1,012

The table above is adjusted compared to the annual report of 2021. It is due to change in representation of VaR for the banking book as it is now showing worst case result per Risk sub component. It is with the same confidence interval of 99% and 1 day holding period as the Total VaR for which the representation remains unchanged. With this approach it is aligned with the representation of the Trading Book VaR results. Therefore, the December 2021 figures were restated in order to be comparable.

In 2021 the model multiplier for Erste Group was increased from 3.0 to 3.25 by the ECB based on the observation that until first quarter 2021 Erste Group did not have a systematic process for capturing Risks Not In The Model (RNIME). A regulatory compliant framework was implemented starting with June 2021. In February 2022 Erste Group received regulatory approval to reduce the multiplier back to 3.0 based on the implemented RNIME framework. As of year-end 2022 the number of VaR backtesting outliers is 6 and hence the regulatory multiplier has a value of 3.5. Three of the outliers were clustered in late February and early March and were related to market reaction to the war in the Ukraine. The remaining three outliers were caused by sharp market moves related to central bank intervention or market expectations regarding inflation and interest rates.

Interest rate risk in the banking book (IRRBB)

Interest rate risk is the risk of an adverse change in both, the earnings and economic value of financial instruments caused by a movement in market interest rates. This type of risk arises when mismatches exist between assets and liabilities, including derivatives, in respect of their maturities or of the timing of interest rate adjustments.

In order to identify interest rate risk, all financial instruments, including off-balance instruments are used to calculate the impact of certain interest rate scenarios on their economic value and their earnings. Limits and thresholds are implemented for both aspects of the IRRBB, the change in economic value as well as the change in earnings. Positions without contractually defined maturity or repricing structures, such as demand deposits or overdrafts are modelled accordingly. For positions where the customer has the right to prepay his debt prepayment models are applied.

In order to reflect newest data, behavioural models for on-demand deposits and loan prepayments have been reviewed and updated for major entities (Erste Bank Österreich, Sparkassen, Ceska Sporitelna, Slovenska Sporitelna) during 2022.

For internal risk calculations and for the regulatory interest rate risk measures, the maximum downward shock is floored according to the Annex III of the EBA guidelines on the management of interest rate risk arising from non-trading activities (EBA/GL/2018/02). With increasing yield curves, especially in EUR, USD and CZK, these embedded floors have become less relevant.

Exchange rate risk

Risk from open foreign exchange positions is the risk related to exchange rates that derives from the mismatch between assets and liabilities, or from currency-related financial derivatives. In the trading book, these risks might originate from customer-related or trading operations and are monitored and managed on a daily basis. Foreign currency exposure is subject to regulatory and internal limits. The internal limits for the trading book are set by the Market Risk Committee.

Erste Group separately measures and manages other types of risks relating to the group's balance sheet and earnings structure. The translation risk related to the valuation of the balance sheet items, earnings, dividends and participations/net investments in local currency or foreign exchange has an impact on consolidated earnings and consolidated capital. Erste Group is also reducing the negative impact related to volatility of foreign exchange rates on asset performance (for example as a result of foreign exchange lending in the CEE countries that was stopped for clients not having sufficient regular income in the respective loan currency).

In order to manage its multi-currency earnings structure, Erste Group regularly discusses hedging opportunities and takes decisions in the Group Asset Liability Committee (ALCO). Asset and Liability Management (ALM) uses as the usual source of information the current financial results and the financial budget prepared for the upcoming period to obtain as much information as possible on the future foreign currency cash flows. The proposal, which mainly includes the volume, hedging level, hedge ratio and timeline of the hedging, is submitted by ALM to ALCO. The impact of translation on consolidated capital is monitored and reported to ALCO. The ALCO decisions are then implemented by ALM and the implementation status is reported on a monthly basis to ALCO.

The following table shows the largest open foreign currency positions of Erste Group (including structural FX positions for 2022, excluding positions in HRK due to Croatia joining the eurozone as of 1st of January 2023). The inclusion of structural FX positions in the table below as of 2022 is in line with the EBA guideline on the treatment of structural FX (EBA/GL/2020/09) which requires banks to calculate own funds for FX positions resulting from participations in foreign subsidiaries. The inclusion of structural FX positions leads to overall significantly higher open positions in the core market currencies:

Open foreign currency positions

in EUR thousand	Open position
Dec 22	
Czech Koruna (CZK)	2,940,118
Romanian Leu (RON)	1,346,093
Hungarian Forint (HUF)	530,802
Serbian Dinar (RSD)	376,336
Macedonian Denar (MKD)	227,258
Bosnia and Herzegovina Convertible Mark (BAM)	181,863
US Dollar (USD)	84,819
Polish Zloty (PLN)	25,771
British Pound (GBP)	9,020
Swiss Franc (CHF)	6,093
Dec 21	
US Dollar (USD)	41,318
Croatian Kuna (HRK)	25,591
Czech Koruna (CZK)	12,442
Serbian Dinar (RSD)	11,298
Hungarian Forint (HUF)	11,123
Polish Zloty (PLN)	10,676
Romanian Leu (RON)	4,368
Japanese Yen (JPY)	3,984
Swiss Franc (CHF)	-3,687
British Pound (GBP)	2,981

Credit spread risk

Credit spread risk is the risk of an adverse movement in the fair value of financial instruments caused by a change in the creditworthiness of an issuer perceived by the market. Erste Group is exposed to credit spread risk with respect to its securities portfolio, both in the trading as well as in the banking book.

For the trading book, credit spread risk for government bonds is part of the general market risk covered by VaR and SVaR. Corporate bonds are allocated to benchmark spread curves depending on sector, rating, and currency as part of the general risk covered by VaR and SVaR. The issuer specific risk is covered by the standardised approach for Pillar 1 of regulatory capital requirements. For the issuer specific risk of the trading book in Pillar 2, the spread risk is broken down into a systematic and a residual part risk and reported on an aggregated level.

Quantifying the credit spread risk of the securities in the banking book is based on a historical simulation. The maximum (hypothetical) drawdown that can be attributed to credit related risk factors over a one-year horizon is calculated. It is based on credit spread sensitivities (CR01) and the risk factors used are mainly asset swap spreads for sovereigns and iTRAXX CDS indices for financials and corporates. The resulting amount is used as part of the ICAAP calculations to determine the capital consumption of the banking book portfolio.

Hedging

Banking book market risk management consists of optimising Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Balance Sheet Management Division (BSM) is responsible for the interest rate risk management of the banking book and respective hedging actions. ALCO committee is informed by BSM on a regular basis about the interest rate risk of the banking book and required approvals (e.g., for strategic positions, the BSM strategy, pouvoir for investments, etc.) by the members of the ALCO committee.

In order to achieve the goals of risk management, hedging activities focus on the two main control variables: net interest income and market value of equity risk. In a broader sense, hedging refers to an economic activity that mitigates risk but does not necessarily qualify for hedge accounting under IFRS rules. IFRS hedge accounting is applied, if possible, to avoid accounting mismatches due to hedging activity. Within the scope of IFRS-compliant hedge accounting, fair value hedges and cash flow hedges are used. In addition, the fair value option is used for hedging the market risk from the economic perspective. Most of the hedging within Erste Group concerns hedging of interest rate risk. The remainder is hedging of foreign exchange rate risk.

46. Liquidity risk

Recent Developments

In 2022, Erste Group further developed and enhanced its liquidity risk calculation and reporting system in the new technical environment. With these improvements, all liquidity metrics are now well established on this technical environment.

The implementation of some of these liquidity metrics was accompanied by a re-design of these metrics. So have the long-term Structural Liquidity Ratio (STRL) and the Stress-Testing metric Survival Period Analysis (SPA) been reviewed in the process of the implementation and certain re-designs and improvements have been implemented as well.

Liquidity strategy

In 2022, customer deposits remained the primary source of funding for Erste Group. The growth in loan volume surpassed inflows of customer deposits, leading to the reduction of short term placements.

With regards its own issuance, Erste Group Bank AG issued EUR 6.1 billion in bonds in 2022 (2021: EUR 3.1 billion) which in net terms was approx. EUR 2.1 billion above the original plan at the beginning of the year due to pre-funding activities. EUR 3.4 billion (2021: EUR 2.6 billion) was collected by issuing senior preferred bonds, of which EUR 0.5 billion (2021: 0.5 billion) was printed via a benchmark sized transaction. Tier 2 subordinated debt issuance amounted to EUR 0.5 billion (2021: EUR 0.5 billion). This was offset by repurchases of EUR 70 million (2021: EUR 37 million). The average tenor of all new issues in 2022 is approximately 6.3 years (2021: 7.0 years).

Erste Group's total TLTRO participation in 2022 decreased to EUR 15.5 billion (2021: 21.2 billion).

Liquidity Metrics and Reports

The liquidity risk in Erste Group is defined in line with the principles set out by the Basel Committee on Banking Supervision as well as the European and Austrian regulations Regulation (EU) No 575/2013 (CRR), Regulation (EU) 2015/61 and the Council and the "Kreditinstitut-Risikomanagement-Verordnung - KI-RMV" in their current versions. Accordingly, a distinction is made between market liquidity risk, which is the risk that the group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

The regulatory liquidity ratios LCR and NSFR are well implemented in Erste Group which uses the above-mentioned technical environment to calculate the LCR according Regulation (EU) No 2015/61 as well as the NSFR according to the Regulation (EU) No 575/2013 in their currently valid versions.

Erste Group calculates LCR on a daily basis on solo and group level and reports it on a monthly basis to the authorities. Furthermore, the LCR is part of the internal Risk Appetite Statement (RAS). LCR limits are defined in the RAS targeting to be well above the regulatory requirement of 100%. Legal lending limits exist in all CEE countries where Erste Group is represented. As they restrict liquidity flows between Erste Group's subsidiaries in different countries they are taken into account for the assessment of liquidity risk in the survival period model as well as in the calculation of the LCR at group level.

The NSFR is calculated on a monthly basis on solo and group level and is reported on a quarterly basis to the authorities. Same as the LCR, the NSFR is part of the internal RAS and limits are defined in the RAS targeting to be well above the regulatory requirement of 100%

Short-term insolvency risk is monitored by calculating the survival period analysis (SPA) on both entity and group levels. This analysis determines the maximum period during which the entity can survive a set of defined scenarios, including a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of customer, as well as the potential outflows from collateralised derivative transactions estimating the effect of collateral outflows in the case of adverse market movements. The SPA is covering a stress horizon of up to 12 months. It is calculated on a monthly basis at entity and group level.

Structural liquidity is monitored with the internal Structural Liquidity Ratio (STRL), depicting the going concern maturity mismatches of the subsidiaries and the group as a whole. The STRL is calculated on a monthly basis both on solo entity level and on group level.

All above mentioned reports (LCR, NSFR, SPA and STRL) are reported to the Operational Liquidity Committee (OLC) as well as to the management board during the Group Asset and Liability Committee (Group ALCO).

Additionally, concentration risks in the funding structure and "Counterbalancing Capacity" (CBC) are regularly monitored and reported to the regulator. Erste Group's funds transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

Methods and instruments of risk mitigation

Apart from the reporting of liquidity metrics to the OLC and the Group ALCO, another important instrument for managing the liquidity risk within Erste Group and in relation to its subsidiaries is the FTP system. Important information for liquidity management can be obtained by the process of planning funding needs. Therefore, a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across Erste Group.

The Comprehensive Contingency Plan of the Erste Group ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis. The contingency plans of the subsidiaries are coordinated as part of the plan for Erste Group.

Analysis of liquidity risk

In Erste Group, the liquidity risk is analysed by the following methods.

Liquidity coverage ratio. Erste Group uses the regulatory LCR for internal monitoring and steering of the liquidity position. To keep the LCR according LCR DA above both limits, the regulatory limit and the internal limit, Erste Group closely monitors its short-term liquidity inflows and outflows as well as its available counterbalancing capacity (CBC).

Erste Group has continued to actively reduce surplus liquidity which results in a lower LCR ratio in comparison to previous year. However, Erste Group is still having a comfortable buffer well above internal and external limits.

Liquidity coverage ratio

in EUR million	Dec 21	Dec 22
Liquidity buffer	71,566	72,877
Net liquidity outflow	40,361	52,825
Liquidity coverage ratio	177.3%	138.0%

Structural liquidity gaps. The long-term liquidity position is managed using structural liquidity gaps on the basis of contractual and partially behavioural cash flows of all liquidity relevant components of the balance sheet (on-balance and off-balance). This liquidity position is calculated for each material currency.

Cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. All customer products without contractual maturities (such as demand deposits and overdrafts) are included according to a going concern maturity profile using model based on statistically observed client behaviour.

In order to reflect newest data and significant changes in many yield curve levels, behavioural models for on-demand deposits have been reviewed and updated for all major entities during 2022 same as for interest rate risk in the banking book.

The figures for December 2022 in the tables below (structural liquidity gap) are extracted from the new technical environment as described in the section 'recent developments' whereas the figures for December 2021 are based on the old technical environment which was still in use back then. Increase in assets is partially mitigated by increase of liabilities in the first time band resulting in a decreased gap of 10 bn EUR mostly due to updates of behavioural model and the therewith connected conservative shift of deposits to earlier time bands whereas loans to later ones as well as due to improved data quality in the new environment.

Structural liquidity gap

in EUR million	0-12 months		1-3 years		3-5 years		> 5 years	
	Dec 21	Dec 22	Dec 21	Dec 22	Dec 21	Dec 22	Dec 21	Dec 22
Liquidity gap	37,894	10,857	-7,021	7,829	-10,414	2,076	-21,690	-25,452

An excess of assets over liabilities is indicated by a positive value, while an excess of liabilities over assets is indicated by a negative value. The cash inflows from liquid securities amounting to EUR 41.8 billion (2021: EUR 30.7 billion), which are accepted as collateral by the central banks to which Erste Group has access, are considered in the first-time bucket rather than considering them at their contractual maturity.

Counterbalancing capacity. Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserves at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including impacts from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation.

Term structure of counterbalancing capacity

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Dec 22					
Cash, excess reserve	8,743	0	0	0	0
Liquid assets	42,165	-2,434	-2,258	-1,730	-4,331
Other central bank eligible assets	2,622	-58	118	4,904	3,304
Thereof retained covered bonds	-227	0	285	3,860	2,816
Thereof credit claims	1,476	0	85	969	621
Counterbalancing capacity	53,530	-2,492	-2,140	3,174	-1,027
Dec 21					
Cash, excess reserve	29,074	0	0	0	0
Liquid assets	37,951	-6,126	-1,134	-1,447	-2,252
Other central bank eligible assets	1,119	-43	328	-267	499
Thereof retained covered bonds	-86	0	470	0	500
Thereof credit claims	331	0	0	0	243
Counterbalancing capacity	68,144	-6,170	-806	-1,714	-1,753

The figures above show the total amount of potential liquidity available for the group in a going concern situation considering the applicable central bank haircuts. In a crisis situation, adverse market movements can decrease this amount. The initial counterbalancing capacity available at group level is reduced by additional stressed haircuts. Negative figures are maturing positions of the counterbalancing capacity. Positive figures after one week are positions not immediately available as counterbalancing capacity.

The decrease in cash, excess reserve can be explained by entities starting to place their surplus liquidity to central banks as a loan which is not considered as part of the counterbalancing capacity anymore.

Financial liabilities. The table below shows the undiscounted principal cash flows for all financial liabilities and it contains interest cash flows.

Financial liabilities

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
Dec 22						
Non-derivative liabilities	288,697	301,416	222,121	24,450	34,361	20,484
Deposits by banks	28,821	33,173	7,048	11,059	12,026	3,041
Customer deposits	223,973	229,398	212,922	10,983	4,380	1,113
Debt securities in issue	29,300	33,818	2,012	1,940	16,120	13,747
Subordinated liabilities	6,603	5,027	140	468	1,835	2,583
Derivative liabilities	2,999	5,905	-37	1,523	3,540	878
Derivatives liabilities with netted Cash Flows	0	4,877	21	836	3,181	839
Derivatives liabilities with gross Cash Flow (net)	0	1,028	-58	688	359	39
Outflows	0	77,798	54,323	17,090	5,727	658
Inflows	0	-76,770	-54,381	-16,402	-5,367	-619
Contingent liabilities	0	63,792	63,792	0	0	0
Financial guarantees	0	7,643	7,643	0	0	0
Commitments	0	56,150	56,150	0	0	0
Other financial liabilities	1,687	1,687	1,687	0	0	0
Total	293,383	372,800	287,563	25,973	37,901	21,362
Dec 21						
Non-derivative liabilities	274,539	278,718	209,599	11,005	39,401	18,714
Deposits by banks	31,886	33,427	4,176	3,315	23,147	2,790
Customer deposits	210,523	213,550	204,311	3,581	4,213	1,445
Debt securities in issue	25,295	26,091	1,088	2,731	10,104	12,169
Subordinated liabilities	6,835	5,650	25	1,377	1,938	2,310
Derivative liabilities	1,933	1,953	-32	729	1,018	239
Derivatives liabilities with netted Cash Flows	0	1,406	105	282	788	231
Derivatives liabilities with gross Cash Flow (net)	0	547	-137	446	229	8
Outflows	0	44,997	27,760	10,706	5,534	995
Inflows	0	-44,449	-27,897	-10,260	-5,305	-987
Contingent liabilities	0	53,529	53,529	0	0	0
Financial guarantees	0	6,796	6,796	0	0	0
Commitments	0	46,734	46,734	0	0	0
Other financial liabilities	2,190	2,190	2,190	0	0	0
Total	278,663	336,391	265,286	11,733	40,419	18,953

As of year-end 2022, the currency composition of the non-derivative liabilities consisted of approximately 69% EUR, 17% CZK, 4% RON, 4% USD, and 6% in other currencies (2021: 71% EUR, 17% CZK, 4% RON, 3% USD, and 5% in other currencies).

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is calculated from the collateralised derivative transactions for the stress testing, following a historical lookback approach, which amounted to EUR 1.8 billion (2021: EUR 1.2 billion) in the severe combined idiosyncratic and market crisis scenario as of 31 December 2022.

As of 31 December 2022, the volume of customer deposits due on demand amounted to EUR 171.6 billion (2021: EUR 167.7 billion). According to customer segments, the customer demand deposits are composed as follows: 63% private individuals, 21% small and medium-sized enterprises, 8% large corporates, 4% public sector, and 4% non-banking financial institutions (2021: 64% private individuals, 21% small and medium-sized enterprises, 8% large corporates, 4% public sector, and 3% non-banking financial institutions).

47. Operational risk

In line with Article 4 Section 52 of regulation (EU) 575/2013 (CRR), Erste Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risk, model risk and information and communication technology risk, but not strategic and reputational risk. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

The quantitative measurement methods are based on internal loss experience data, which are collected across Erste Group using a standard methodology and entered into a central data pool. Additionally, in order to be able to model losses that have not occurred in the past but are nonetheless possible, scenarios and external data are also used. Erste Group sources external data from a leading non-profit risk-loss data consortium.

Erste Group calculates capital requirements for operational risk based on the Advanced Measurement Approach (AMA) that is subject to regulatory approval. AMA is a sophisticated approach for measuring operational risk. Pursuant to AMA, the required capital is calculated using an internal VaR model, taking into account internal data, external data, scenario analysis, business environment and internal risk control factors. Additionally, Erste Group received the approval to use insurance contracts for mitigation within the AMA pursuant to Article 323 CRR.

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk and control assessments through expert panels. Additional methods include setting of key risk indicators and risk assessments in connection with product approvals, outsourcing assessments and risk return decisions. The results of these assessments and processes are reported to line management along with mitigation measures and thus help to reduce operational risks. In order to ensure early detection of changes in the risk profile that may lead to losses, Erste Group monitors a number of key risk indicators such as system availability, staff turnover, and customer complaints.

Erste Group uses a group-wide insurance program that has reduced the cost of meeting Erste Group's traditional property insurance needs. Freed-up resources made it possible to buy additional insurance for previously uninsured bank-specific risks. This program uses a captive reinsurance entity as a vehicle to share losses within the group and access the external market.

The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the management board via various reports, most importantly the quarterly Group Risk Report, which informs on recent losses, loss trends, qualitative information derived from Risk Control Self-Assessments, NFR (Non-Financial Risk) decisions, risk indicators, key ratios and the Erste Group VaR for operational risk.

Non-current assets and other investments

48. Property, equipment and investment properties

Property and equipment

Property and equipment is measured at cost less accumulated depreciation and accumulated impairment. Borrowing costs for qualifying assets are capitalised into the costs of property and equipment. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Depreciation is recognised in the statement of income in the line item 'Depreciation and amortisation' and impairment in the line item 'Other operating result'.

	Useful lives in years
Buildings	30-50
Re-buildings on own and foreign real estates	15-50
Office furniture and equipment	4-10
Passenger cars	4-8
Computer hardware	4-6

Land is not depreciated.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of income under the line item 'Other operating result'.

Investment properties

Investment property is property (land and buildings or part of a building or both) held for the purpose of earning rental income or for capital appreciation or both. In the case of partial own use, the property is investment property only if the owner-occupied portion is insignificant. Investments in land and buildings under construction when the future use is expected to be the same as for investment property are treated as investment property.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment. Investment property is presented on the balance sheet in the line item 'Investment properties'.

Rental income is recognised in the statement of income in the line item 'Rental income from investment properties and other operating leases'. Depreciation is presented in the statement of income in the line item 'Depreciation and amortisation' using the straight-line method over an estimated useful life. The useful lives of investment properties are in the range of 15-100 years. Any impairment losses, as well as their reversals, are recognised under the line item 'Other operating result'.

Impairment

The bank assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. Testing for impairment is done at individual asset level if the asset generates cash inflows that are largely independent of those from other assets. The typical case is investment property. Otherwise, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs.

Impairments and their reversals are recognised in the statement of income under the line item 'Other operating result'.

Acquisition and production costs

Own property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 21	2,393	970	557	410	4,331	1,684
Additions	120	73	55	132	380	83
Disposals	-40	-66	-64	-94	-265	-15
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	-1
Reclassification	-2	-37	39	0	0	0
Assets held for sale	-4	0	0	26	21	-21
Currency translation	32	5	5	5	48	6
Dec 21	2,498	945	593	479	4,515	1,736
Additions	81	81	81	46	290	107
Disposals	-60	-57	-83	-71	-270	-16
Acquisition of subsidiaries	11	0	0	0	11	0
Disposal of subsidiaries	0	0	0	-150	-150	-2
Reclassification	16	11	1	0	28	-28
Assets held for sale	-25	-2	-1	0	-28	-11
Currency translation	17	2	1	5	24	1
Dec 22	2,538	980	591	309	4,419	1,788

Accumulated depreciation

Own property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 21	-1,021	-674	-395	-164	-2,253	-459
Amortisation and depreciation	-66	-55	-63	-48	-231	-28
Disposals	27	63	62	45	197	3
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	1	1
Impairment	-21	-1	0	-21	-44	-6
Reversal of impairment	5	0	0	0	5	1
Reclassification	-1	18	-16	0	1	-1
Assets held for sale	11	0	0	0	11	6
Currency translation	-18	-3	-3	-3	-27	-3
Dec 21	-1,084	-651	-415	-190	-2,340	-484
Amortisation and depreciation	-71	-54	-63	-39	-228	-27
Disposals	30	50	82	50	213	8
Acquisition of subsidiaries	0	0	0	0	0	0
Disposal of subsidiaries	1	0	0	36	37	2
Impairment	-16	-2	0	0	-19	-17
Reversal of impairment	3	0	0	0	3	1
Reclassification	-7	0	0	0	-7	7
Assets held for sale	9	1	1	0	11	5
Currency translation	-8	-1	0	-3	-12	-2
Dec 22	-1,143	-658	-396	-145	-2,342	-506

Carrying amounts

Own property, equipment and investment properties

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Dec 21	1,414	294	178	289	2,175	1,251
Dec 22	1,395	322	196	164	2,077	1,281

Rights of use: property, equipment and investment properties

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Dec 21	455	3	0	11	470	93
Dec 22	518	4	0	18	541	91

Total carrying amounts

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Dec 21	1,869	297	178	301	2,645	1,344
Dec 22	1,913	327	196	182	2,618	1,372

For details related to right of use assets capitalized in balance sheet arising from leases where Erste Group is lessee, please see Note 52 Leases where the Group is a lessee.

The carrying amount of investment properties include properties subject to operating leases in the amount of EUR 1,300.6 million (2021: EUR 1,273.3 million). Investment properties with a carrying amount of EUR 596.0 million (2021: EUR 443.6 million) are pledged as collaterals. Investment properties with a carrying amount of EUR 635.7 million (2021: EUR 567.0 million) are subject to the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz) and hence are subject to the specific rules in respect of sale and use of these properties. The carrying amount of property and equipment includes properties subject to operating leases in the amount of EUR 210.9 million (2021: EUR 334.3 million).

In the reporting period, expenditures in the amount of EUR 88.6 million (2021: EUR 185.0 million) are capitalised in the carrying amount of fixed assets and investment properties during their construction. The contractual commitments for purchase of fixed assets are EUR 17.1 million (2021: EUR 54.9 million).

In 2022, land and buildings were impaired in the amount of EUR 13.9 million in Czech Republic (2021: EUR 15.8 million). As of 31 December 2022, the recoverable amount of these impaired assets amounted to EUR 14.2 million (2021: EUR 40.6 million).

As of 31 December 2022 the fair value of investment properties with a carrying amount of EUR 1,372 million (2021: EUR 1,344 million) amounts to 1,597 million (2021: EUR 1,518 million) and is classified as level 3 of the fair value hierarchy.

The fair values are determined by experts with recognised and relevant professional qualification. Fair values of commercial real estate in Austria and CEE owned by Erste Group through Austrian companies are based on valuation reports relying essentially, but not solely, on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets). For all other property owned by Erste Group through subsidiaries located in CEE countries the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors.

49. Intangible assets

Goodwill

Goodwill arises from business combinations whereby a subsidiary is acquired. Subsequently, goodwill is carried at cost as established on the acquisition date, less accumulated subsequent impairment losses, if any. For more details on measurement of goodwill at the acquisition date refer to Note 58 Subsidiaries.

Other intangible assets

Erste Group's intangible assets other than goodwill include computer software and customer relationships, the brand and other intangible assets. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank.

Intangible assets are measured on initial recognition at cost, including transaction costs. Costs of internally generated software are capitalised if Erste Group can demonstrate the technical feasibility and intention of completing the software, the ability to use it, how it will generate probable economic benefits, the availability of resources and the ability to measure the expenditures reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The cost of intangible assets acquired in a business combination is their fair value as of the acquisition date. In the case of Erste Group, these are brands and customer relationships, and they are capitalised on acquisition if they can be measured with sufficient reliability.

Intangible assets with finite lives are amortised over their useful economic lives using the straight-line method. The amortisation period and method are reviewed at least at each financial year-end and adjusted if necessary. The amortisation expense on intangible assets with finite lives is recognised in the statement of income under the line item 'Depreciation and amortisation'.

	Useful lives in years
Computer software	4-10
Customer relationships	10-20

Brands have been impaired to nil carrying amount. As a result, they are not being amortised.

Impairment of intangible assets including goodwill

Impairment of intangible assets is based on the same requirements as described in Note 48 Property, equipments and investment properties. It is typical of intangible assets that they do not generate cash inflows that are largely independent of those from other assets. As a result, the impairment test is carried out at the level of the cash-generating unit (CGU) to which the asset belongs.

Goodwill is tested for impairment annually in November, or whenever there is an indication of possible impairment during the year, with any impairment determined recognised in profit or loss. The impairment test is carried out for each cash-generating unit (CGU) to which goodwill has been allocated. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is tested for impairment by comparing the recoverable amount of each CGU to which goodwill has been allocated with its carrying amount. The carrying amount of a CGU is based on the amount of net asset value allocated to the CGU taking into account any goodwill and intangible assets recognised at the time of business combination if they are allocated to the CGU.

The recoverable amount is the higher of a CGU's fair value less costs of disposal and its value in use. When available, the fair value less costs of disposal is determined based on recent transactions, market quotations or appraisals. The value in use is determined using a discounted cash flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. In determining value in use, the present value of future earnings distributable to shareholders is calculated.

The estimation of future earnings distributable to shareholders is based on financial plans for the CGUs as agreed by the management while taking into account the fulfilment of the respective regulatory capital requirements. The planning period is five years. Any forecasted earnings beyond the planning period are derived on the basis of the last year of the planning period and a long-term growth rate. The present value of such perpetual earnings growing at a stable rate (referred to as terminal value) takes into consideration macroeconomic parameters and economically sustainable cash flows for each CGU.

The cash flows are determined by subtracting the annual capital requirement generated by a change in the amount of risk-weighted assets from the estimated future earnings. The capital requirement was defined through the target tier 1 ratio in light of the expected future minimum regulatory capital requirements.

The value in use is determined by discounting the cash flows at a rate that takes into account present market rates and the specific risks of the CGU. The discount rates have been determined based on the capital asset pricing model (CAPM). According to the CAPM, the discount rate comprises a risk-free interest rate together with a market risk premium that itself is multiplied by a factor that represents the systematic market risk (beta factor). Furthermore, a country-risk premium component is considered in calculation of the discount rate. The values used to establish the discount rates are determined using external sources of information.

When the recoverable amount of a CGU is less than its carrying amount, the difference is recognised as an impairment loss in the statement of income under the line item 'Other operating result'. The impairment loss is allocated first to write down the CGU's goodwill. Any remaining impairment loss reduces the carrying amount of the remaining individual assets of the CGU, though not to an amount lower than their fair value less costs of disposal. No impairment loss is recognised if the recoverable amount of the CGU is higher than or equal to its carrying amount. Impairment losses relating to goodwill cannot be reversed in future periods.

The goodwill included in the acquisition cost of investments in associates and joint ventures is not tested separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount (after application of the equity method) whenever relevant objective evidence of impairment is identified. Such evidence includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environments in which associates and joint ventures operate, indicating that the cost of the investment may not be recovered.

The analysis on the recoverability of non-financial assets is explained in section 'Significant accounting policies' in the chapter 'Significant accounting judgements, assumptions and estimates'.

Acquisition and production costs

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 21	662	159	0	1,644	549	353	3,367
Additions	6	0	0	131	51	14	202
Disposals	-8	0	0	-55	-10	-22	-96
Acquisition of subsidiaries	0	0	0	1	0	0	1
Disposal of subsidiaries	0	0	0	0	0	0	0
Reclassification	0	0	0	9	-4	-5	0
Assets held for sale	0	0	0	0	0	0	0
Currency translation	0	0	0	33	-1	3	36
Dec 21	660	159	0	1,763	585	343	3,510
Additions	12	0	0	131	42	9	194
Disposals	0	0	0	-86	-9	-16	-111
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	-1	0	0	-1
Reclassification	0	0	0	4	-4	0	0
Assets held for sale	0	0	0	-1	0	0	-1
Exchange-rate changes	-1	-2	0	5	0	1	4
Dec 22	671	157	0	1,815	614	338	3,596

Accumulated depreciation

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 21	-118	-117	0	-1,191	-311	-272	-2,008
Amortisation and depreciation	0	-8	0	-109	-60	-25	-201
Disposals	8	0	0	51	14	24	98
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0	0
Impairment	0	0	0	-7	0	-3	-10
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	-4	0	4	0
Assets held for sale	0	0	0	0	0	0	0
Currency translation	0	0	0	-23	0	-3	-26
Dec 21	-110	-124	0	-1,284	-356	-274	-2,148
Amortisation and depreciation	0	-7	0	-108	-62	-22	-200
Disposals	0	0	0	85	9	16	110
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	1	0	0	1
Impairment	-5	0	0	-3	0	0	-9
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0	0
Assets held for sale	0	0	0	1	0	0	1
Currency translation	0	2	0	-5	0	-1	-4
Dec 22	-115	-129	0	-1,313	-409	-282	-2,248

Carrying amounts

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Dec 21	550	35	0	480	229	69	1,362
Dec 22	556	27	0	502	205	56	1,347

The contractual commitments for the purchase of intangible assets amounted to EUR 2.9 million (2021: EUR 1.9 million). As of 31 December 2022 the customer relationship Ringturm Kapitalanlagegesellschaft m.b.H. amounted to EUR 24.0 million (2021: EUR 28.0 million). The remaining amortization period of the customer relationship in Ringturm Kapitalanlagegesellschaft m.b.H. was 5.8 years.

Goodwill

The additions of goodwill in the amount of EUR 11.9 million relate to the acquisition of Commerzbank Zrt. For further details please see section 'Scope of consolidation'.

The goodwill of Česká spořitelna a.s. ('CSAS') was tested for objective evidence of impairment on a quarterly basis during 2022. The annual goodwill impairment test was performed as of 31 October 2022. Due to the ongoing planning uncertainty caused by the unpredictable economic environment (Covid-19 pandemic, Ukraine war), Erste Group derived an additional planning scenario for the impairment test. In addition to the base case scenario, which was weighted as the most likely scenario with 60% probability, a downside scenario with 40% probability weighting was also defined. The recoverable amount was higher than the carrying amount, thus no impairment was required.

Carrying amount and material parameters used for the impairment test per subsidiary (CGU) for significant goodwills

CSAS	
Carrying amount of goodwill as of 1 January 2022 (in EUR million)	544
Effect of exchange rate changes for the year 2022 (in EUR million)	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)
Key interest input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 2.16% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2022.
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2022.
Description of approach to determining values assigned to market risk premium	Set at 7.77% throughout relevant Group's CGUs based on published evaluations by
Period of cash flow projection (years)	5 years (2023 - 2027); extrapolation to perpetuity based on Terminal Growth Rate
Discount rate applied to cash flow projections (pre-tax)	16.1%
The value assigned to β Factor	1.18
Amount of goodwill impairment loss recognised in profit or loss for the year 2022 (in EUR million)	0
Post-impairment carrying amount of goodwill as of 31 December 2022 (in EUR million)	544
Carrying amount of goodwill as of 1 January 2021 (in EUR million)	544
Effect of exchange rate changes for the year 2021 (in EUR million)	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)
Key interest input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 0.13% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2021.
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2021.
Description of approach to determining values assigned to market risk premium	Set at 7.67% throughout relevant Group's CGUs based on published evaluations by the Austrian Chamber of Commerce (Kammer der Steuerberater und Wirtschaftsprüfer).
Period of cash flow projection (years)	5 years (2022 - 2026); extrapolation to perpetuity based on Terminal Growth Rate
Discount rate applied to cash flow projections (pre-tax)	12.9%
The value assigned to β Factor	1.17
Amount of goodwill impairment loss recognised in profit or loss for the year 2021 (in EUR million)	0
Post-impairment carrying amount of goodwill as of 31 December 2021 (in EUR million)	544

For cash generating units outside the euro-zone, an inflation differential has been considered when determining the discount rates applicable to the related 2023-2027 cash flow projections.

The outcome of the sensitivity analysis shows by how much the key input parameters into the applied discounted cash flow models would need to vary in order to cause the unit's calculated recoverable amount to equal its related carrying amount:

CSAS	
Dec 22	
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	2,715
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	528
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-5,223
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.680
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	448
Dec 21	
Amount by which recoverable amount exceeds/fall short the carrying amount (in EUR million)	3,371
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	582
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-6,188
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.758
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	496

50. Other assets

in EUR million	Dec 21	Dec 22
Prepayments	112	135
Inventories	149	94
Sundry assets	784	1,003
Other assets	1,045	1,232

In the line 'Inventories' real estate project developments and repossessed assets (mainly real estate) are disclosed.

The impairment of inventories, shown as expense in the reporting period amounts to EUR 2.5 million (2021: EUR 5.7 million). The carrying amount of inventories carried at fair value less costs to sell amounts to EUR 23.3 million (2021: EUR 35.6 million). The cost of inventories recognised as expense in the reporting period amounts to EUR 8.5 million (2021: EUR 16.3 million).

Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of Erste Group.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

51. Erste Group as a lessor

On the side of the lessor, a distinction is made between finance leases and operating leases. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. In the case of a finance lease, Erste Group reports a receivable from the lessee under the line item 'Finance lease receivables'. The receivable is equal to the present value of the contractually agreed payments taking into account any residual value. Interest income on the receivable is reported in the statement of income in the line item 'Other similar income' under 'Net interest income'.

In the case of operating leases, which are leases other than finance leases, the leased asset is reported in 'Property and equipment' or in 'Investment properties' and is depreciated in accordance with the principles applicable to the assets involved. Lease income is recognised on a straight-line basis over the lease term in the statement of income under the line item 'Rental income from investment properties and other operating leases'.

Erste Group is mitigating the risk associated with any rights it retains in underlying assets. This is achieved especially by means of residual value guarantees, variable lease payments for use in excess of specified limits and buy-back agreements with third parties.

Erste Group (intermediate lessor) accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

The vast majority of lease agreements in which Erste Group operates as a lessor are finance leases.

Finance leases

Erste Group leases both movable property and real estate to other parties under finance lease arrangements. For finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

in EUR million	Dec 21	Dec 22
Outstanding lease payments	4,297	4,841
Non-guaranteed residual values	171	165
Gross investment	4,468	5,006
Unrealised financial income	245	365
Net investment	4,223	4,641
Present value of non-guaranteed residual values	154	137
Present value of outstanding lease payments	4,069	4,504

Maturity analysis by residual maturities

in EUR million	Dec 21		Dec 22	
	Gross investment	Present value of outstanding lease payments	Gross investment	Present value of outstanding lease payments
< 1 year	1,105	1,014	1,372	1,248
1-2 years	962	896	1,054	968
2-3 years	798	749	889	819
3-4 years	639	598	674	602
4-5 years	422	371	405	374
> 5 years	541	441	612	494
Total	4,468	4,069	5,006	4,504

During 2022, Erste Group recognised interest income on finance lease receivables in the amount of EUR 128.6 million (2021: EUR 115.7 million). Gains/losses from derecognition of finance lease receivables are recognised in line item 'Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss' (Note 10).

Finance lease receivables

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 22											
General governments	254	10	0	0	264	-1	-1	0	0	-2	262
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	88	1	0	0	89	0	0	0	0	0	88
Non-financial corporations	2,654	691	74	1	3,420	-12	-25	-36	0	-73	3,347
Households	790	62	13	0	866	-4	-2	-5	0	-11	854
Total	3,787	765	87	1	4,639	-17	-28	-41	0	-86	4,553
Dec 21											
General governments	278	7	0	0	285	0	-2	0	0	-2	283
Credit institutions	3	0	0	0	3	0	0	0	0	0	3
Other financial corporations	83	1	0	0	84	0	0	0	0	0	84
Non-financial corporations	2,568	381	139	0	3,088	-13	-23	-61	0	-97	2,991
Households	797	50	12	0	859	-3	-2	-6	0	-11	848
Total	3,729	439	151	0	4,319	-17	-27	-67	0	-111	4,209

For information about development of credit loss allowances refer to Note 39 Development of credit loss allowances.

Operating leases

Under operating leases, Erste Group leases both real estate and movable property to other parties.

Maturity analysis of lease payments from operating leases

in EUR million	Dec 21	Dec 22
< 1 year	176	254
1-2 years	121	102
2-3 years	96	93
3-4 years	79	73
4-5 years	63	60
> 5 years	94	136
Total	630	718

During 2022, Erste Group recognised income relating to variable lease payments in the amount of EUR 4.2 million (2021: EUR 4.7 million). For information about rental income please refer to Note 7 Rental income from investment properties and other operating leases.

52. Leases where the Group is a lessee

Under IFRS 16, Erste Group as a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases (less than 12 months) and leases of low-value items.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability and also includes other elements such as initial direct costs. Subsequently, the right-of-use asset is depreciated to the earlier of the end of its useful life or the end of the lease term. Erste Group uses the straight-line method of depreciation. The right-of-use assets are presented on the balance sheet as part of 'Property and equipment' or, if they are subleased to third parties, for operating leases as part of 'Investment properties' and for finance leases as a 'Finance lease receivable'.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the incremental borrowing rate. Lease payments comprise fixed lease payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee. Additionally, the exercise price under a purchase option and lease payments in an optional renewal period are considered if Erste Group is reasonably certain to exercise the options. Extension and termination options are included in a number of real estate leases across Erste Group. The use of extension and termination options gives Erste Group added flexibility in case more suitable premises in terms of costs and/or location are identified or in case it is considered favourable to remain in a location beyond the original lease term.

Subsequently, the carrying amount of the lease liability is increased by interest accrued using the applicable discount rate, reduced by lease payments made and remeasured to reflect any reassessment or lease modification. The incremental borrowing rate for movables consists of EURIBOR as a base rate, adjusted by a surcharge based on the entity's rating, the amount of funds borrowed, the term of the lease and the collateral provided. The determination of the incremental borrowing rate for property leases is based on two components, the market rate and the single property rate. The market rate considers the lease term, creditworthiness and the base rate EURIBOR and is derived from

existing bank data. The single property rate represents a surcharge to the market rate based on the quality of the single property. On the balance sheet the lease liabilities are presented in the line item 'Lease liabilities'.

Erste Group primarily rents real estates such as buildings and land for headquarters, branches and parking lots. In addition, movables such as IT equipment and ATMs are rented for business operations.

Rights of Use Assets

in EUR million	Land and buildings	Property and equipment
Dec 22		
Carrying amount	518	541
Additions	169	179
Depreciation	-89	-93
Dec 21		
Carrying amount	455	470
Additions	74	86
Depreciation	-84	-86

Maturity analysis of lease liabilities based on undiscounted cash flows

in EUR million	Dec 21	Dec 22
< 1 year	85	93
1-5 years	294	335
> 5 years	243	281
Total	622	709

During 2022, interest expenses on lease liabilities were recognised in the amount of EUR 9.2 million (2021: EUR 7.2 million). In addition expenses in the amount of EUR 4.5 million (2021: EUR 4.2 million) relating to short term leases and expenses amounting to EUR 7.4 million (2021: EUR 7.5 million) relating to leases of low value items, for which the recognition exemption of IFRS 16 applies, were recognised. Gains arising from sale and leaseback transactions in the amount of EUR 0.0 million (2021: EUR 7.9 million) were recognised. Total cash outflow for leases in 2022 was EUR 115.7 million (2021: EUR 111.3 million).

Accruals, provisions, contingent liabilities and legal proceedings

53. Other liabilities

in EUR million	Dec 21	Dec 22
Deferred income	106	116
Sundry liabilities	2,410	2,465
Other liabilities	2,516	2,581

Deferred income outstanding at 31 December 2022 includes 'contract liabilities' in accordance with IFRS 15 in amount of EUR 107 million (2021: EUR 101 million). Revenue recognised in the reporting year 2022 that was included in the contract liability balance at the beginning of the period amounts to EUR 55 million (2021: EUR 48 million).

The item 'Sundry liabilities' mainly contains outstanding settlement liabilities as well as other liabilities from employee benefits.

54. Provisions

Provisions are liabilities with uncertain timing or amount. The balance sheet line item 'Provisions' includes:

- _provisions for defined employee benefit plans recognised based on requirements of IAS 19
- _provisions for expected credit losses from loan commitments and financial guarantees recognised based on requirements of IFRS 9; and
- _remaining classes of provisions recognised in accordance with IAS 37 such as provisions or litigation, restructuring, commitments and guarantees not in scope of IFRS 9.

Significant accounting judgements, assumptions and estimates

Recognition of provisions requires judgement with respect to whether Erste Group has a present obligation as a result of a past event and whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Furthermore, estimates are necessary with respect to the amount and timing of future cash flows when determining the amount of provisions. Further details on provisions for off-balance credit risk exposures are explained in Notes 35 Credit risk exposure and 39 Development of credit loss allowances. Legal proceedings that do not meet the criteria for recognition of provisions are described in Note 55 Contingent liabilities.

Following classes of provision can be distinguished in the business of Erste Group:

in EUR million	Dec 21	Dec 22
Defined employee benefit plans	951	802
Loan commitments and financial guarantees given in scope of IFRS 9	464	469
Pending legal issues and tax litigation	332	288
Commitments and guarantees given out of scope of IFRS 9	80	65
Other provisions	159	53
Provisions	1,986	1,676

Defined employee benefit plans

Defined employee benefit plans operated by Erste Group are for pensions, severance and jubilee benefits. From IAS 19 categorisation perspective, pension and severance benefits qualify as post-employment defined benefits plans whereas jubilee benefits are other long-term employee benefits.

In Austria, the defined benefit pension plans relate largely to retired employees. The pension obligations for current employees were transferred to external pension funds. Remaining with Erste Group is a defined benefit obligation for entitlements of former employees who were already retired as of 31 December 1998 before the pension reform took effect and for those former employees who retired only in 1999 but remained entitled to a direct pension from Erste Group under individual agreements. Also included are entitlements to resulting survivor pensions. In addition, an already closed plan for a small number of active entitled employees exists entitling them to defined benefits from Erste Group upon reaching pension age.

In the case of defined benefit pension plans in other countries, the commitments for active employees are primarily dependent on future salary increases, as well as on the expected entitlement date. Due to the nature of the commitment to the defined benefit pensioners, the future, regularly expected pension adjustments according to the collective agreement and the state pension are estimated and taken into consideration as deduction from the total pension. The inflation rate is not indicated separately, but implicitly represented in the assumption for the future collective agreement development.

Employees of Austrian entities who started their employment before 1 January 2003, are entitled to receive a severance payment if their employment is terminated by the employer or if they retire. The amount to be paid depends on the number of years of service and the

employee's salary at termination of the employment. For employees who started their employment after 31 December 2002, a contribution-based system is provided. The contributions to external employee pension funds are recognised as expenses.

Defined benefit plans include jubilee benefits. Jubilee provisions are special one-off payments stipulated in the collective agreement which are dependent on remuneration and duration of service. Eligibility is conditioned on a certain minimum duration of the employment.

In addition, there are defined employee benefit plans for foreign subsidiaries and branches, mainly in Romania, Croatia, Serbia and Slovakia.

Obligations ensuing from defined employee benefit plans are determined using the projected unit credit method. Future obligations are determined based on actuarial expert opinions. The calculation takes into account not only those salaries, pensions and vested rights to future pension payments known as of the balance sheet date but also anticipated future rates of increase in salaries and pensions.

The liability recognised under a defined benefit plan represents the present value of the defined benefit obligation less the fair value of the plan assets available for the direct settlement of obligations. For all plans, the present value of the obligation exceeds the fair value of the plan assets. The resulting defined benefit liability is reported on the balance sheet under the line item 'Provisions'. At Erste Group, the plan assets consist of qualifying insurance policies purchased to back severance and jubilee benefit provisions. Plan assets for pension provision are held by a long-term employee benefit fund.

Remeasurements consist of actuarial gains and losses on the defined benefit obligations and the return on plan assets. Remeasurements of pension and severance defined benefit plans are recognised as accumulated OCI in equity specifically under 'Remeasurement of defined benefit plans' in the statement of changes in equity. The change for the period is reported as OCI in the statement of comprehensive income in the line 'Remeasurement of defined benefit plans'. Remeasurements of jubilee defined benefit plans are recognised in the statement of income under the line item 'Personnel expenses'.

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Assumptions, estimates and sensitivities used for the defined benefit obligation calculations, as well as related amounts are disclosed in the section 'Long-term employee provisions'.

Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Present value of long-term employee benefit obligations – Dec 18	750	445	97	1,292
Present value of long-term employee benefit obligations – Dec 19	791	497	113	1,400
Present value of long-term employee benefit obligations – Dec 20	774	493	119	1,386
Settlements/curtailments	0	0	0	0
Service cost	1	12	8	22
Interest cost	5	3	1	8
Payments	-60	-41	-5	-107
Exchange rate difference	3	0	0	3
Other changes	6	-1	0	5
Actuarial gains/losses recognised in OCI	-10	-18	0	-28
Actuarial gains/losses recognised in PL	0	0	-8	-8
Present value of long-term employee benefit obligations – Dec 21	720	447	115	1,282
Obligations covered by plan assets	34	234	64	332
Obligations covered by provisions	686	213	51	951
Less fair value of plan assets	34	234	64	332
Provisions – Dec 21	686	213	51	951
Present value of long-term employee benefit obligations – Dec 21	720	447	115	1,282
Settlements/curtailments	1	0	0	1
Service cost	1	10	7	19
Interest cost	8	5	1	15
Payments	-60	-41	-5	-106
Exchange rate difference	3	0	0	3
Other changes	-2	0	0	-1
Actuarial gains/losses recognised in OCI	-62	-54	0	-116
Actuarial gains/losses recognised in PL	0	0	-21	-21
Present value of long-term employee benefit obligations – Dec 22	609	367	98	1,074
Obligations covered by plan assets	27	191	55	272
Obligations covered by provisions	582	176	43	802
Less fair value of plan assets	27	191	55	272
Provisions – Dec 22	582	176	43	802

Actuarial assumptions

For Austrian entities the actuarial calculation of pension obligations is based on the following assumptions:

in %	Dec 21	Dec 22
Interest rate	1.05	3.75
Expected increase in retirement benefits	2.40	3.10

The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (Austrian Federal Law Gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The currently applicable legislation on the gradual raising of the retirement age for men and women to 65 was taken into consideration.

For Austrian entities the actuarial calculation of severance payment and jubilee benefits is based on the following assumptions:

in %	Dec 21	Dec 22
Interest rate	1.05	3.75
Average increase in salary (incl. career trend and collective agreement trend)	3.30	4.00

The interest rate applied for the calculation of the long-term employee provisions is derived from the yield of a portfolio of AA-rated corporate bonds. For this purpose the weighted average yield of the underlying portfolio with a corresponding duration is determined.

For the non-Austrian subsidiaries and branches interest rates between 1.0% (2021: 0.3%) and 7.6% (2021: 4.5%) were used. The legal retirement age is in a range between 60 years for women and 65 years for men.

Obligations were calculated based on mortality tables entitled 'AVÖ 2018-P – Rechnungsgrundlagen für die Pensionsversicherung' or comparable mortality tables.

Investment strategy

The primary investment strategy of Erste Group is the continuous optimization of plan assets and the effective coverage of existing entitlements. The Group works with professional fund managers for the investment of plan assets. The Investment Fund Act applies as a requirement with respect to specific investment guidelines relating to the investment of plan assets. Additionally, the Investment Committee which is composed of senior staff in the financial sector and representatives of the S-Versicherung and Erste Asset Management meets once a year.

Erste Group's severance payments and jubilee payments are partially covered by the fair value of plan assets, while defined benefit pension plans are not financed with segregated assets. Majority of defined benefit pension plans only exist for already retired employees. Majority of pension plans are dedicated to former employees of Austrian entities of Erste Group and are unfunded. Major part of the plans (sum over severance payments, defined benefit pension plans and jubilee payments) are not matched with dedicated assets.

For the yearly pension payments of the unfunded defined benefit plans and the unfunded part of severance payments Erste Group generally takes care within its asset-liability management strategy covering the funding plan and interest rate risk position of the Group. The payments for 2023 are expected with EUR 82 million (2022: EUR 78 million) for both plans.

The average duration of these provisions are assumed to be for severance payments 10.04 years (2021: 11.31 years) and 7.30 years (2021: 8.60 years) for defined benefit pension plans.

Movements in plan assets

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Fair value of plan assets – Dec 20	28	251	65	344
Addition	2	0	0	2
Interest income on plan assets	1	1	0	2
Contributions by the employer	0	14	5	20
Benefits paid	-1	-30	-8	-38
Actuarial gains/losses recognised in OCI	3	-2	1	1
Actuarial gains/losses recognised in PL	0	0	0	0
Fair value of plan assets – Dec 21	34	234	64	332
Addition	2	-1	0	0
Interest income on plan assets	1	2	1	4
Contributions by the employer	0	7	4	12
Benefits paid	-1	-29	-7	-37
Actuarial gains/losses recognised in OCI	-9	-8	0	-17
Actuarial gains/losses recognised in PL	0	0	-1	-1
Fair value of plan assets – Dec 22	27	205	60	293

In 2023, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 7.2 million (2022: EUR 8.0 million). The contributions shown in the table include not only regular contributions but also one-time payments at the end of the year. The total gain on plan assets amounted to EUR 14.6 million (2021: gain EUR 3.5 million).

Control and risk

The effective allocation of plan assets is determined by the administering body including the relevant existing economic and market conditions as well as considering specific risks of the individual asset classes and the risk profile. Moreover the Investment Committee is responsible for monitoring the mandate guidelines and the investment structure, the supervision, which may arise from regulatory or other legal requirements, as well as the monitoring of demographic changes. As an additional steering tool the fund management generates a report, which is transmitted on a quarterly basis to the Group. Overall, the Group tries to minimize the impact caused by market movements on the pension plans.

Asset allocation in the different asset classes

in EUR million	Dec 21					Dec 22				
	Europe-EMU	Europe-non EMU	USA	Other countries	Total	Europe-EMU	Europe-non EMU	USA	Other countries	Total
Cash and cash equivalents					50					70
Equity instruments	1	1	27	9	38	1	1	21	11	34
Investment-grade bonds										
Government	2	0	1	9	12	3	0	0	0	3
Non-government bonds	8	7	4	7	26	10	3	3	1	17
Non-investment-grade bonds										
Government	2	0	0	5	7	1	0	0	7	8
Non-government bonds	88	30	29	49	196	97	16	9	38	160
Derivatives (market risk)										
Other					4					2
Plan assets					332					293

In the table above, Investment-grade refers to BBB and above. The plan assets shown in the table above include mainly assets that are quoted and traded on active markets. As of 31 December 2022, the plan assets did not include material amounts of securities issued by the Group or other claims upon it. Moreover none of the mortgage securities used by the Group are included.

Effects of defined post-employment benefit plans in profit or loss and other long-term employee benefits

in EUR million	Dec 21	Dec 22
Settlements/curtailments	0	-1
Service cost	-22	-19
Net interest	-6	-11
Total	-28	-30

Settlements and curtailments as well as service costs are included in the income statement in the line item 'Personnel expenses'. Net interest includes interest expenses for long-term employee benefits as well as the expected return on plan assets. These are disclosed in the income statement in the line item 'Other similar income' and 'Other similar expense' under 'Net interest income'. As of 31 December 2022, the cumulative amount of remeasurement from defined benefit plans, recognised in other comprehensive income amounted to EUR 716.0 million before tax (2021: EUR -815.2 million).

Sensitivity to key assumption

The following table presents a sensitivity analysis for each significant actuarial assumptions showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the balance sheet.

in EUR million	Dec 21			Dec 22		
	Pensions	Severance payments	Total	Pensions	Severance payments	Total
Change in discount rate +0.5%	689	423	1,112	588	349	937
Change in discount rate -0.5%	750	473	1,223	632	386	1,018
Change in future salary increases +0.5%	718	472	1,190	609	386	995
Change in future salary increases -0.5%	718	423	1,141	609	349	958
Change in future benefit increases +0.5%	768	447	1,215	645	367	1,012
Change in future benefit increases -0.5%	671	447	1,118	575	367	942
Increase in survival rate by approx. 10%	778	447	1,225	655	367	1,022

Impact on cash flows

Benefits expected to be paid by the defined benefit plans in each of the respective periods

in EUR million	Pensions	Severance payments	Total
2023	60	22	82
2024	57	15	72
2025	53	18	71
2026	50	21	71
2027	47	23	70
2028-2032	192	132	324

Duration

Weighted average duration of the defined-benefit obligations

in years	Dec 21	Dec 22
Pensions	8.60	7.30
Severance payments	11.31	10.04
Total	9.64	8.33

The weighted average duration is affected by changes in longevity and in the mortality table.

Loan commitments and financial guarantees given in scope of IFRS 9

In the ordinary course of business, Erste Group provides financial guarantees, consisting of various types of letters of credit and guarantees. A financial guarantee is a contract that requires the guarantor to make specified payments to reimburse the holder for a loss it incurs in case a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

Erste Group as a guarantor recognises financial guarantees as soon as it becomes a contracting party. Financial guarantees are initially measured at fair value. Generally, the initial measurement is the premium received for a guarantee. This amount is subsequently amortised to fee income. If no premium is received at contract inception (i.e. the initial transaction price is zero), this is the price that would be paid to transfer the liability in an orderly transaction between market participants. As a result, the fair value of such a financial guarantee and thus the initial measurement is nil. Subsequent to initial recognition, provisions are recognised based on the expected credit loss impairment model if the amount is higher than the unamortised balance of the initial premium.

Loan commitments are firm commitments to provide credit under prespecified terms and conditions. Loan commitments are generally not recognised in the balance sheet before they are drawn. If it is probable that the bank will enter into the loan agreement loan commitment fees received are deferred and adjust the effective interest rate of the loan when the commitment is drawn. Loan commitments result in recognition of provisions based on the expected credit loss impairment model.

Expenses or income related to provisions for loan commitments and financial guarantees are reported in the statement of income under the line item 'Impairment result from financial instruments'.

For information about development of credit loss allowances for provision for financial guarantees and loan commitments refer to Note 39 Development of credit loss allowances, part 'Loan commitments and financial guarantees': table 'Movement in credit loss allowances – loan commitments and financial guarantees'.

Provisions recognised in accordance with IAS 37

Based on the requirement of IAS 37, provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. Expenses or income related to these provisions are reported in the statement of income under the line item 'Other operating result'.

Following table provides the information about the development of the IAS 37 provisions

in EUR million	Jan 22	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes	Dec 22
Pending legal issues and tax litigation	332	56	-12	-85	0	-3	288
Commitments and guarantees given out of scope of IFRS9	80	111	0	-128	0	1	65
Other provisions	159	33	-130	-9	0	0	53
Provisions	571	200	-142	-222	0	-1	406
	Jan 21						Dec 21
Pending legal issues and tax litigation	359	108	-47	-90	0	2	332
Commitments and guarantees given out of scope of IFRS9	76	62	0	-72	0	14	80
Other provisions	206	29	-33	-43	0	-1	159
Provisions	641	199	-80	-204	0	15	571

Under position 'Pending legal issues and tax litigation' provisions related to litigations from lending business, asset management or litigations related to customer protection topics, which normally occur in banking business, are disclosed. In 2022, a release of provisions for risks related to Romanian Consumer Protection Claims Act was recognised in the income statement in the amount of EUR 54.3 million (2021: allocation of EUR 1.2 million). The total amount of the provision as of 31 December 2022 was EUR 73.5 million (2021: EUR 127.8 million).

The majority of the provision allocated for losses expected in relation to the business activities of the Romanian building society subsidiary BCR Banca pentru Locuinte SA (BPL) regarding whether state subsidies had been disbursed to building society's clients in accordance with the applicable legal provisions was used in order to pay the principal of the claim to the Romanian State. In December 2022 the remaining provision in the amount of EUR 31.7 million was used for the recognition of a liability amounting in total to EUR 78.6 million for outstanding penalties. Accordingly, as of 31 December 2022, the provision was amounting to EUR 0.0 million (2021: EUR 126.5 million).

55. Contingent liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do involve credit risk and are therefore part of the overall risk of the Bank (see Note 35 Credit risk exposure and 39 Development of Credit loss allowances).

Legal proceedings

Erste Group Bank AG and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group or Erste Group Bank AG. Erste Group is also subject to the following ongoing proceedings, some of which, if adversely adjudicated, may have a significant impact on the financial position or profitability of Erste Group or Erste Group Bank AG. Any possible financial impacts of these proceedings are not disclosed, as neither the duration nor the outcome can be reliably estimated and to avoid influencing the outcome of the various proceedings.

Consumer protection claims

Several subsidiaries of Erste Group have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The proceedings mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and principles of general civil law and that certain fees or parts of interest payments charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as to contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions, the legal risks in connection with loans granted in the past are also increased by the enactment of politically-motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers. The following consumer protection issues are deemed noteworthy.

In Romania, BCR is - aside from being a defendant in a number of individual law suits initiated by consumers regarding alleged violations of applicable consumer protection laws - among several local credit institutions pursued by the consumer protection authority for allegedly abusive clauses pertaining to pre-2010 lending practices. In connection therewith, BCR is currently a defendant in individual litigation claims filed by the local consumer protection authority, in each case on behalf of a single or several borrowers. Only a part of these cases have so far been finally decided by the courts, only few of them with an adverse result for BCR and with rather limited impact so far. Adverse judgments on the validity of certain clauses may have the impact of invalidating such clauses also in other similar agreements concluded by BCR with other consumers.

In Croatia, the Supreme Court, in a proceeding initiated by a local consumer protection association against several credit institutions ('Collective Case'), among them Erste Bank Croatia ('EBC'), declared in 2015 that Swiss Franc (CHF) clauses in loan agreements with consumers are valid, but contractual provisions permitting unilateral change of the variable interest rates in CHF denominated consumer loans, used by the majority of credit institutions until 2008, are null and void. In 2016, the Croatian Constitutional Court rescinded the part of the Supreme Court of Croatia decision relating to the validity of CHF clauses. After the case had been returned for a retrial with respect to the CHF clause to the court of second instance, such court delivered its decision in 2018, declaring in essence the nullification of the CHF currency clause, holding that collective and individual consumer rights were breached. However, no specific obligation of the bank was ordered by the verdict. In 2019 the Supreme Court rejected the appeal of the credit Institutions against the 2018 decision. As the subsequent constitutional claim against such decision was rejected by the Constitutional Court in 2021, EBC filed a request to the European Court of Human Rights ('ECHR'), that was dismissed at the end of 2022.

The impact of the rulings in the Collective case on legal disputes with individual clients related to CHF denominated loan agreements is still difficult to predict. In December 2022, the Supreme Court reached a legal standing according to which clients who have converted their CHF denominated loans to EUR denominated loans (in accordance with applicable laws enacted in 2015) are entitled to default interest for overpaid amounts taken into account by a credit institution when converting.. Aforementioned legal standing of the Supreme Court was released after a procedure initiated at the European court of Justice regarding the interpretation of relevant provisions of EU's Directive 93/13).

Due the legal standing of the Supreme Court in Croatia a provision amounting to EUR 11.5 million was recognised. However, a local consumer protection association –declared its willingness to pursue further actions before the Constitutional Court against the legal standing. In addition, the specific impact of the legal standing to the court practices in individual cases are difficult to predict.

CSAS minority shareholders claims

Following the completion of a squeeze-out procedure in CSAS resulting in Erste Group Bank AG becoming the sole shareholder of CSAS, some former minority shareholders of CSAS filed legal actions with the courts in Prague against Erste Group Bank AG. Aforementioned court proceeding is still in an early stage. The court proceedings initiated against CSAS regarding the alleged invalidity of the shareholders' resolution approving the squeeze-out was ultimately settled in summer 2022 by the High Court in Prague in favor of CSAS. In the proceedings against Erste Group Bank AG the plaintiffs allege in essence that the share price of 1.328 CZK (then approx. EUR 51 per share) paid by Erste Group Bank AG in the squeeze-out of the CSAS minority shareholders in 2018 was unfair and too low and should be increased. In case the courts find there should be an increase, this would affect all minority shareholders squeezed-out. In the squeeze-out performed in 2018 Erste Group Bank AG acquired a total of 1.03% of minority shares for a consideration of approx. EUR 80 million. Erste Group Bank AG views that the purchase price, established by a valuation done by professional external experts, was correct and fair.

Capital instruments, equity and reserves

56. Total equity

in EUR million	Dec 21	Dec 22
Subscribed capital	860	860
Additional paid-in capital	1,478	1,478
Retained earnings and other reserves	13,424	14,774
Owners of the parent	15,761	17,111
Additional equity instruments	2,236	2,236
Non-controlling interests	5,516	5,957
Total	23,513	25,305

As of 31 December 2022, subscribed capital (also known as registered capital) consists of 429,800,000 (2021: 429,800,000) voting bearer shares (ordinary shares). The pro rata amount of registered capital, per no-par value share, was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

Additional equity instruments

In addition Erste Group Bank AG issued additional tier 1 capital (AT1 bonds). AT1 bonds are unsecured and subordinated bonds. AT1 bonds are perpetual and can be cancelled only by the issuer at predetermined dates. The bonds include discretionary non-cumulative coupon payments. Due to this features they are classified as equity under IFRS.

AT1 bonds issued

Nominal value	Currency	Issue	Initial fixed rate	Reset rate after the first call date	Coupon payments	First and subsequent calls dates
500 million	EUR	April 2017	6.5%	5Y swap +6,204%	Semi-annually on 15th April and 15th October	15.04.2024 + coupon dates thereafter
500 million	EUR	March 2019	5,125%	5Y swap +4,851%	Semi-annually on 15th April and 15th October	15.10.2025 + coupon dates thereafter
500 million	EUR	January 2020	3,375%	5Y swap +3,433%	Semi-annually on 15th April and 15th October	15.04.2027 + coupon dates thereafter
750 million	EUR	November 2020	4.25%	5Y swap +4,646%	Semi-annually on 15th April and 15th October	15.10.2027 + coupon dates thereafter

If common equity tier 1 ratio of Erste Group or Erste Group Bank AG falls below 5.125% (i.e. a trigger event occurs) the principal amount will be written down (fully or partially) on a temporary basis. The issuer may, at its sole discretion, write up the amount (fully or partially) provided a positive profit has been recorded and the trigger event no longer exists.

In 2022 there was no redeemed AT1 bond. In 2021 Erste Group redeemed AT1 bonds with a nominal value of EUR 500.0 million. After deduction of costs directly attributable to the capital increase of EUR 3.2 million the net decrease in additional equity instruments amounted to 496.8 million.

Distributions on own equity instruments

Distributions on own equity instruments are recognised as a liability and deducted from equity when their payment is confirmed. For dividends on common shares the decision is taken by the Annual General Meeting. For coupons on additional tier 1 instruments the payouts do not need approvals but an event of non-payment would require a decision of Erste Group Bank AG Board.

Changes in number of outstanding shares

	Dec 21	Dec 22
Shares outstanding as of 1 January	405,470,710	405,434,710
Acquisition of treasury shares	-9,624,711	-8,454,712
Disposal of treasury shares	9,588,711	10,195,840
Shares outstanding as of 31 December	405,434,710	407,175,838
Treasury shares	24,365,290	22,624,162
Number of shares issued as of 31 December	429,800,000	429,800,000
Weighted average undiluted number of outstanding shares	426,246,662	427,019,261
Weighted average diluted number of outstanding shares	426,246,662	427,492,890

In addition to the calculation of the annual average number of shares outstanding by incorporation of acquisitions and disposals of treasury shares during the year, the line items 'weighted average number of outstanding shares' and 'weighted average diluted number of outstanding shares' consider a proportionate allocation of the treasury shares held by non-controlling interests.

Treasury shares and contracts on treasury shares

Equity instruments of Erste Group that it or any of its subsidiaries acquire (referred to as treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue or cancellation of Erste Group's own equity instruments, including transaction costs, is recognised directly in equity. No gain or loss is recognised in profit or loss or OCI on the purchase, sale, issue or cancellation of own equity instruments.

Transactions and shares held by the management board and supervisory board

The shares of management- and supervisory board member, whose office term began or ended during the financial year, held as at the date of inception or termination of their term in office were recognised as additions or disposals.

Shares and related dividends held by management board

Managing board member	Dec 21	Additions	Disposals	Dec 22	Dividends received in 2022 (in EUR)
Cernko Willibald (Chairman) (since 1 July 2022)	0	7,206	0	7,206	11,504
Spalt Bernhard (Chairman) (until 30 June 2022)	15,000	5,000	20,000	0	32,000
Bleier Ingo	3,111	1,000	0	4,111	6,578
Dörfler Stefan	1,500	2,956	0	4,456	6,400
Habeler-Drabek Alexandra	72	1,256	0	1,328	1,395
O'Mahony David	0	5,456	0	5,456	0
Poletto Maurizio	0	456	0	456	0

Shares and related dividends held by supervisory board

Supervisory board member	Dec 21	Additions	Disposals	Dec 22	Dividends received in 2022 (in EUR)
Rödler Friedrich (Chairman)	2,502	1,300	0	3,802	4,483
Homan Jan (1st Vice Chairman) (until 18 May 2022)	4,400	0	4,400	0	7,040
Hardegg Maximilian (1st Vice Chairman since 18 May 2022, before 2nd Vice Chairman)	240	0	0	240	384
Krainer Senger-Weiss Elisabeth (2nd Vice Chairwoman since 18 May 2022)	0	0	0	0	0
Catasta Christine (since 1 July 2022)	0	0	0	0	0
Egerth-Stadlhuber Henrietta	0	0	0	0	0
Ersek Hikmet (since 18 May 2022)	0	3,966	0	3,966	490
Flatz Alois (since 18 May 2022)	0	0	0	0	0
Grießer Martin (since 1 July 2022)	0	120	0	120	22
Haag Markus (until 11 January 2022, then again since 18 May 2022)	176	141	0	317	282
Haberhauer Regina	188	106	0	294	301
Khüny Marion	0	0	0	0	0
Kühnel Mariana (since 18 May 2022)	0	583	0	583	933
Lachs Andreas	0	106	0	106	0
Pichler Barbara	309	244	0	553	494
Pinter Jozef	0	106	0	106	0
Santner Friedrich	0	0	0	0	0
Schuster Michael	0	30	0	0	48
Simor András	0	0	0	0	0
Sutter-Rüdisser Michèle F.	0	2,222	0	2,222	0
Zeisel Karin	38	16	0	54	61

As of 31 December 2022, supervisory board members did not receive any Erste Group Bank AG shares or options for such shares as part of their remuneration. Persons related to members of the management board or supervisory board held 1,518 shares (2021: 111 shares) of Erste Group Bank AG.

Remaining authorised and contingent capital as of 31 December 2022

Clause 5 of the articles of association authorises the management board to increase the registered capital with the consent of the supervisory board until 18 May 2027 – also in several tranches – by an amount of up to EUR 343,600,000 by issuing up to 171,800,000 voting no-par value bearer shares in return for contributions in cash and/or in kind, with the issue price and the issuing conditions being determined by the management board with the consent of the supervisory board. Furthermore, the management board is authorized to fully or partly exclude the statutory subscription right of the shareholders with the consent of the supervisory board if the capital increase is in return for a cash contribution and the shares issued while excluding the subscription right of the shareholders, taken together, do not exceed EUR 85,960,000; and/or if the capital increase is in return for contributions in kind.

The measures in sections 5.1.1 (capital increase against cash contribution) to 5.1.2 (capital increase against contributions in kind) can also be combined. The aggregate pro rata amount of registered capital represented by new shares in respect of which the shareholders' subscription rights are excluded under this authorization in section 5.1 (authorized capital), together with the pro rata amount of registered capital attributable to new shares which serve to fulfill subscription rights, conversion rights, and conversion obligations arising from convertible bonds issued with the exclusion of subscription rights from 18 May 2022 onwards pursuant to section 8.3, and which are issued from conditional capital pursuant to section 6.3 to satisfy share options of employees, senior employees and members of the Management Board of the Company or of a group company, must not exceed the proportionate amount of 10% of the share capital in total.

Clause 6.3 of the articles of association states that conditional capital based on the resolutions of the management board in 2002 and 2010 (both approved by the supervisory board) with a nominal value of EUR 21,923,264 persists that can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares (ordinary share) with an issue price of at least EUR 2.00 per share against cash contribution and by excluding the subscription rights of the current shareholders. This conditional capital is used for granting options to staff, management and members of the management board of the entity of one of its related undertakings.

Under clause 6.4 of the articles of association, the company has conditional capital of EUR 124,700,000.00 available, which may be utilized by issuing up to 62,350,000 pieces bearer shares. This conditional capital can be used for granting conversion or subscription rights to holders of convertible bonds. In case the terms and conditions of the convertible bonds provide for a mandatory conversion, it shall also serve to cover the mandatory conversion. The issue price and exchange ratio shall be determined pursuant to a recognised pricing method on the basis of accepted finance-mathematical methods and the share price of the company.

According to clause 7 of the articles of association, currently no authorized conditional capital exists.

57. Non controlling interest

in EUR million	Haftungsverbund Savings Banks, thereof:			
	Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Dec 22				
Country of incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	81%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	94	40	11	29
Net result attributable to non-controlling interests	404	49	94	16
Accumulated NCI	5,260	691	1,284	234
Subsidiary-level stand-alone key financial information				
Current assets	28,470	6,310	6,002	1,625
Non-current assets	54,565	9,105	12,145	3,381
Current liabilities	62,482	10,286	14,740	4,051
Non-current liabilities	13,153	4,129	1,556	569
Operating income	1,966	328	445	129
Profit or loss from continuing operations	685	99	157	45
Total comprehensive income	189	-6	77	10
Dec 21				
Country of incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	35	9	11	6
Net result attributable to non-controlling interests	403	56	81	17
Accumulated NCI	4,864	586	1,177	250
Subsidiary-level stand-alone key financial information				
Current assets	29,576	7,737	5,811	1,949
Non-current assets	51,767	8,678	11,509	3,270
Current liabilities	59,673	9,880	14,025	3,906
Non-current liabilities	14,382	5,400	1,508	898
Operating income	1,795	318	377	114
Profit or loss from continuing operations	775	136	224	47
Total comprehensive income	1,018	181	256	76

Scope of consolidation

As at 31 December 2022, Erste Group Bank AG, as parent entity of Erste Group, includes in its IFRS scope of consolidation a total of 314 subsidiaries (31 December 2021: 335). These comprise a total of 50 entities, which are members of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. Alongside Erste Group Bank AG, local savings banks, Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, Erste Bank der oesterreichischen Sparkassen AG and Zweite Wiener Vereins-Sparcasse are members of the Haftungsverbund (cross-guarantee system).

In 2014, following the implementation of the new agreements of the cross-guarantee system (please refer to Note 58 Subsidiaries) and the related financial support of the members, an 'ex-ante fund' was established. The fund is managed by a civil law company named IPS GesbR. The assets of the fund – the members of the cross-guarantee system are required to pay into the fund until 31 December 2031 – are bound and can be used solely for the purpose to cover loss events of members of the cross-guarantee system. The company IPS GesbR was included in the scope of consolidation in year 2014.

Additions and disposals 2022. On 17 December 2021 Erste Bank Hungary (EBH) has signed a sale and purchase agreement with Commerzbank AG to acquire 100% of the share capital (306.016 shares) in its Hungarian subsidiary Commerzbank Zrt ('CBK'). This acquisition enables EBH to significantly strengthen its existing market position in Hungary.

The transaction was effectuated as of 30 November 2022, with the approval of National Bank of Hungary. At year-end 2022, the measurement process has not yet been finalized. Due to the complexity of the deal and the focus on the rapid implementation to maintain the daily operations, the purchase price allocation was carried out on a preliminary basis. As a consequence, amounts recognized as of reporting date are considered as provisional and will be adjusted when updated information is available.

The net equity as of the acquisition date amounted to EUR 62.0 million. Assets and liabilities recognized in first consolidation are as follows:

in EUR million	Carrying amount
Cash and cash balances	180.4
Financial assets at fair value through profit or loss	48.9
Financial assets at fair value through other comprehensive income	118.2
Financial assets at amortised cost	395.6
Property and equipment	4.5
Tax assets	1.3
Other assets	0.5
Total Assets	749.4
Financial liabilities at fair value through profit or loss	37.2
Financial liabilities at amortised cost	646.1
Provisions	1.5
Tax liabilities	0.1
Other liabilities	2.5
Total Liabilities	687.4
Subscribed capital	62.0
Total Equity	62.0
Total Liabilities and Equity	749.4

The fair value of the acquired loans at the acquisition date amounted to EUR 395.6 million. The best estimate at the acquisition date of the contractual cash flows from acquired loans not expected to be collected amounts to EUR 4.9 million.

In course of its analysis EBH identified items subject to fair value adjustment, mainly related to a building which served as headquarter of CBK. The adjusted net equity equals to EUR 67.7 million. The preliminary purchase price allocation results in a goodwill of EUR 11.9 million. This amount is calculated as the difference of adjusted net equity and preliminary purchase price and is not deductible for tax purposes. The cash consideration transferred currently amounts to EUR 79.6 million, but this amount might be subject to change. Since the acquisition date, CBK's contribution to Erste Group's operating income amounted to EUR 1.7 million. The contribution to the net result for the period amounted to EUR 1.6 million. If CBK had already been included in the Erste Group's consolidated financial statements as of 1 January 2022, the contribution to the operating income would have been EUR 42.8 million and the contribution to net result for the period would have been EUR -2.1 million.

The other additions and disposals had no material impact on the financial position and performance of the Group.

Additions and disposals 2021. Additions and disposals had no material impact on the financial position and performance of the Group.

For further details regarding the scope of consolidation please refer to Note 71 Details of the companies wholly or partly owned by Erste Group as of 31 December 2022.

58. Subsidiaries

A subsidiary is an entity controlled by another entity. All entities directly or indirectly controlled by Erste Group Bank AG are consolidated in the Group financial statements on the basis of their annual accounts as of 31 December 2022, and for the year then ended.

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income and consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal. The financial statements of the bank's subsidiaries are prepared for the same reporting year as that of Erste Group Bank AG and using consistent accounting policies. All intra-Group balances, transactions, income and expenses as well as unrealised gains and losses and dividends are eliminated.

Non-controlling interests represent those portions of total comprehensive income and net assets that are neither directly nor indirectly attributable to the owners of Erste Group Bank AG. Non-controlling interests are presented separately in the consolidated statement of income, in the consolidated statement of comprehensive income and within equity on the consolidated balance sheet. Acquisitions of non-controlling interests as well as disposals of non-controlling interests that do not lead to a change of control are accounted for as equity transactions, whereby the difference between the consideration transferred and the share in the carrying amount of the net assets acquired is recognised in equity.

Control

IFRS 10 'Consolidated Financial Statements' defines the investor's control over an investee in terms of the investor having all of the following:

- _ power to direct the relevant activities of the investee, i.e. activities that significantly affect the investee's returns;
- _ exposure, or rights, to variable returns from its involvement with the investee; and
- _ the ability to use its power over the investee to affect the amount of the investor's returns.

Hence, assessing the existence of control under this definition may require considerable accounting judgements, assumptions and estimates, notably in non-standard situations such as:

- _ power stemming both from voting rights and from contractual arrangements (or mostly from the latter);
- _ exposure stemming both from on-balance investments and from off-balance commitments or guarantees (or mostly from the latter); or
- _ variable returns stemming both from readily identifiable income streams (e.g. dividends, interest, fees) and from cost savings, economies of scale and/or operational synergies (or mostly from the latter).

In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for the assessment of the following cases:

i. The savings bank members of the Austrian cross-guarantee system (Haftungsverbund)

Erste Group Bank AG is a member of the Haftungsverbund (cross-guarantee system) of the Austrian savings bank sector. As of the balance sheet date, all of Austria's savings banks, in addition to Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG and Bausparkasse der österreichischen Sparkassen Aktiengesellschaft, formed part of this cross-guarantee system. The provisions of the agreement governing the Haftungsverbund are implemented by the steering company Haftungsverbund GmbH. Erste Group Bank AG always holds directly and indirectly at least 51% of the voting rights of the steering company. The indirect voting rights are held through Erste Bank der oesterreichischen Sparkassen AG and through other savings banks in which companies of Erste Group hold the majority of voting rights.

For all savings banks in which Erste Group holds less than 50% of the voting rights, an assessment of whether control is achieved through the provisions of the Haftungsverbund agreement has been performed.

Based on the contractual agreement, Haftungsverbund GmbH as the steering company is vested with the following substantive rights related to the savings banks:

- _ participation in the appointment of board members;
- _ approval of budgets including capital decisions;
- _ provision of binding guidelines in the areas of risk and liquidity management as well as internal audit; and
- _ determination of thresholds for capital requirement including the payment of dividends.

Furthermore, taking into account the magnitude of Erste Group's involvement with the member banks – whether in the form of synergies, investments, commitments, guarantees, or access to common resources – the Group has significant exposure to each of the member banks' variable returns. As Haftungsverbund GmbH is able to affect the variable returns through its power, it has been assessed that Haftungsverbund GmbH has control over the savings banks.

As Erste Group Bank AG controls the steering company, it exercises control over the members of the cross-guarantee system.

In 2022, the existing cross-guarantee agreements were combined into one cross-guarantee agreement based on an ECB decision and signed by all cross-guarantee members. The combination of the agreements has no impact on the scope of consolidation of Erste Group Bank AG.

ii. Investment funds under own management

The Group has assessed whether the investment funds it manages through its asset management subsidiaries are controlled and hence shall be consolidated. This assessment has been made on the basis that power over such investment funds is generally conferred based on the contractual arrangements appointing an Erste Group subsidiary as fund manager without any substantive removal rights by fund's investors. Furthermore, Erste Group made the conclusive judgement that its exposure to such own-managed funds' variable returns is basically considered as significant if, additionally to the exposure through management fees, Erste Group is also exposed in the form of at least 20% investment in the fund. Furthermore, in its capacity as fund manager, Erste Group is also able to affect the returns of the funds through its power. Following this assessment, investment funds under own management in which Erste Group – directly or through its subsidiaries – has significant unit holdings (i.e. holds at least 20% of the units issued by the fund) are deemed to be controlled and included in the scope of consolidation.

iii. Pension funds under own management

The Group has assessed whether the contractual arrangements appointing an Erste Group subsidiary as pension fund manager (with no substantive removal rights by the fund's participants) are generally expected to confer power over such funds, followed by an assessment of the Group's exposure/rights to the pension fund's variable returns. The relevant legal requirements regulating the activities of such pension funds in their respective jurisdictions were also considered, notably in assessing the significance of the rights to variable returns from management fees, as well as of the exposure to losses from any guarantees that the fund manager may be legally bound to. As a result of this review, the Czech pension fund 'Transformovaný fond penzijního připojištění se státním příspěvkem Česká spořitelna – penzijní společnost, a.s.' (the 'Transformed pension fund') is not consolidated. There are no further cases of application in Erste Group.

Business combinations

Business combinations are accounted for using the acquisition method. Goodwill represents the future economic benefits resulting from the business combination arising from assets that are not individually identified and separately recognised. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests, and the fair value of the previously held equity interest over the net of the acquisition date amounts of the identifiable assets acquired as well as the liabilities assumed. At the acquisition date, the identifiable assets acquired and the liabilities assumed are generally recognised at their fair values.

If, after reassessment of all components described above, the calculation results in a negative amount, it is recognised as a bargain purchase gain and reported in the statement of income under the line item 'Other operating result' in the year of acquisition.

Upon business combinations, non-controlling interests are measured at the proportionate share of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS. Acquisition costs incurred are expensed and included under the statement of income line item 'Other operating result'.

59. Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an interest in an associate or joint venture is recognised on the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity. The Group's share of the associate's or joint venture's result is recognised in the consolidated statement of income in line item Net result from equity method investments. The line item contains the result from associates and joint ventures recorded by applying the equity method (measured as the investor's share of profit or loss in the associates and joint ventures). However, impairment losses, reversal of impairment losses and realised gains and losses on investments in associates or joint ventures accounted for using the equity method are reported under the line item 'Other operating result'. Entities accounted for using the equity method are recognised on the basis of annual financial statements as of 31 December 2022 and for the year then ended.

Associates are entities over which Erste Group exercises significant influence ('associates'). IAS 28 'Investments in Associates and Joint Ventures' defines significant influence as the power to participate in the financial and operating policy decisions of the investee without having control or joint control of those policies. Furthermore, IAS 28 indicates that if an entity holds, directly or indirectly 20% or more of the voting power of the investee, it is presumed that the entity has significant influence unless it can be clearly demonstrated that this is not the case.

In the case of Erste Group, all equity method investments are direct or indirect investments in associates and joint ventures over which the Group exercises significant influence or joint control stemming from voting power greater than 20% up to 50%.

Joint ventures are joint arrangements over which Erste Group exercises control jointly with one or more other venturers, with the venturers having rights to the net assets of the arrangement, rather than to the assets and liabilities relating to the arrangement. Joint control exists

only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Erste Group is not involved in joint arrangements which take form of joint operations.

Carrying amounts of at equity measured entities

in EUR million	Dec 21	Dec 22
Credit institutions	59	43
Financial institutions	77	83
Others	74	83
Total	211	209

Aggregated financial information of at equity measured entities

in EUR million	Dec 21	Dec 22
Total assets	4,932	5,253
Total liabilities	4,244	4,511
Income	388	520
Profit/loss	46	54

None of Erste Group's investments accounted for using the equity method published price quotations.

Selected equity method investments where the Erste Group has strategic interest

in EUR million	Dec 21			Dec 22		
	Global Payments s.r.o.	Prvá stavebná	VBV - Betriebliche Altersvorsorge AG	Global Payments s.r.o.	Prvá stavebná	VBV - Betriebliche Altersvorsorge AG
Country of Incorporation	Czech Republic	Slovakia	Austria	Czech Republic	Slovakia	Austria
Place of business	Czech Republic	Slovakia	Austria	Czech Republic	Slovakia	Austria
Main business activity	Payment services	Financing building society	Insurance	Payment services	Financing building society	Insurance
Ownership held %	49%	35%	32%	49%	35%	32%
Voting rights held %	49%	35%	29%	49%	35%	29%
IFRS Classification (JV/A)	Associate	Associate	Associate	Associate	Associate	Associate
Reporting currency	CZK	EUR	EUR	CZK	EUR	EUR
Investee's financial information for the reporting year						
Cash and cash balances	28	1	9	21	0	9
Other current assets	69	159	57	118	189	80
Non-current assets	106	2,779	48	118	2,766	65
Current liabilities	66	2,371	0	112	2,370	0
Non-current liabilities	25	284	50	23	292	79
Operating Income	43	74	12	69	74	18
Post-tax result from continuing operations	7	17	13	7	8	18
Total comprehensive income	7	17	13	7	9	18
Depreciation and amortization	-6	-6	0	-7	-6	0
Interest income	0	93	8	0	86	8
Interest expense	-1	-30	0	-2	-24	0
Tax expense/income	-1	-6	0	-1	-5	0
Reconciliation of investee's net assets against equity investment's carrying amount						
Net assets attributable to Erste Group	55	99	21	60	102	24
Accumulated impairment	0	-42	0	0	-62	0
Carrying amount	55	57	21	60	40	24

The classification of current and non-current financial assets and liabilities is based on the expected remaining maturities of assets and liabilities.

In 2022 carrying amount of Prvá stavebná was impaired in the amount of EUR 20.6 million (2021: impairment of EUR 13.7 million).

Aggregated financial information of other equity method investments

in EUR million	Dec 21		Dec 22	
	Associates	Joint Ventures	Associates	Joint Ventures
Total comprehensive income	3	7	7	15
Carrying amount	53	25	56	28

60. Unconsolidated structured entities

Interests in structured entities

IFRS 12 'Interests in Other Entities' defines structured entities as entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to the administrative tasks only, and the relevant activities are directed by means of contractual arrangements. IFRS 12 defines the interests as contractual and non-contractual involvements exposing an entity to the variability of returns from the performance of the other entity.

Assessing which entities are structured entities, and which involvements in such entities are interests, may require considerable accounting judgements and assumptions. In the case of Erste Group, such accounting judgements, assumptions and estimates have been primarily relevant for assessing involvements with investment funds and securitisation vehicles.

For investment funds, Erste Group reached the conclusion that direct Group exposure would typically indicate an interest in these structured entities, irrespective of whether such exposure comes from on-balance financial assets – mostly in the form of units held in such funds, off-balance commitments given or management fees varying in relation to the assets under management (for own-managed funds in general). As described under Note 58 Subsidiaries above, own-managed funds where the Group cumulatively holds less than 20% of the related fund units in issue are not consolidated due to lack of control and thus are subject to specific disclosures for unconsolidated structured entities. Erste Group uses following structured entities in the course of its business activity.

Investment funds

Direct investments in own-managed and third-party-managed investment funds as well as management fees earned for the management of investment funds by subsidiaries of Erste Group are classified as interests in unconsolidated structured entities, if they are not consolidated.

Direct investments in investment funds. Erste Group is invested in several mutual funds as well as in private investment funds which are registered in Austria, Central- and Eastern Europe or other countries. The majority of those funds is managed by subsidiaries of Erste Group, the smaller part of the funds being managed by independent third parties. The investments in funds held by Erste Group do not constitute material investments (basically below 20%) and mostly take the form of redeemable fund unit investments. They are measured at fair value on the Group's balance sheet, and are disclosed as debt securities either under line item 'Non-trading financial assets at fair value through profit or loss' or 'Financial assets held for trading'.

Management fees. Moreover, Erste Group earns management fees for providing investment management services as fund manager (by subsidiaries of Erste Group); meaning for making the investment decision for the funds under management of the relevant investment fund.

Beside the management fees for the services as fund manager Erste Group also receives distributions for their investments in fund units. On the other side stand expenses for the administration of investment funds and fees for the business activity of investment funds, especially custodian fees and fees for securities trading transactions. In the normal course of business activity Erste Group enters into derivative transactions with own-managed unconsolidated investment funds. Moreover, own-managed unconsolidated investment funds are also invested - over different time periods - in debt securities issued by or deposits of Erste Group. In restricted cases Erste Group offers capital guarantees for own-managed unconsolidated investment funds.

The magnitude of the Group's equity interests in unconsolidated investment funds may vary in the future depending on the future performance of their respective underlying assets, relevant market circumstances and opportunities, or regulatory requirements.

Others

To a lesser extent, Erste Group is also exposed (notably as lender) to unconsolidated structured entities having other business activities. The respective loans and advances are either measured at amortised cost or at fair value through profit or loss, depending whether they are SPPI-compliant or not. Debt securities include investments in Collateralised Mortgage Obligations as well as securitizations.

Maximum exposure to unconsolidated structured entities

Erste Group's maximum exposure to losses from its interests in unconsolidated structured entities is equal to the total fair value of its fund units, bond investments, trading derivative assets, provided loans and off-balance sheet commitments and guarantees as of the respective balance sheet date. The maximum exposure corresponds to the carrying amounts after risk provisions as of the balance sheet date. For off-balance sheet loan commitments and guarantees the maximum exposure corresponds to the respective nominal value.

The table below summarises the Group's business relations to unconsolidated structured entities per balance sheet line item, business activity and business location. The summary includes the assets identified as impaired at year-end, as well as related net impairment losses/gains incurred during the year. The carrying amounts of the exposures summarized below are mostly referring to assets already measured at fair value in the balance sheet of the Group. The carrying amounts of the remaining exposures (notably 'Loans and advances') are materially similar to their fair values.

in EUR million	Investment Funds			Other	Total
	Own-managed	Third-party managed	Total		
Dec 22					
Assets					
Equity instruments, thereof:	0	0	0	13	13
at FVPL	0	0	0	13	13
Debt securities, thereof:	575	172	747	33	780
Financial assets HfT	0	121	121	0	121
at FVPL	575	51	626	33	659
Loans and advances	10	0	10	90	100
Trading derivatives	2	0	2	0	2
Total assets	588	172	760	136	896
thereof impaired	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction					
Austria	574	0	574	0	574
Central and Eastern Europe	14	16	30	103	133
Other jurisdictions	0	156	156	33	190
Liabilities					
Equity instruments	148	0	148	0	148
Debt securities issued	268	0	268	0	268
Deposits	1,952	0	1,952	0	1,952
Trading derivatives	99	0	99	0	99
Total liabilities	2,467	0	2,467	0	2,467
Off balance-sheet commitments	80	0	80	0	80
Dec 21					
Assets					
Equity instruments, thereof:	0	0	0	0	0
at FVPL	0	0	0	0	0
Debt securities, thereof:	678	143	821	39	861
Financial assets HfT	1	88	89	0	89
at FVPL	677	55	732	39	771
Loans and advances	16	0	16	65	81
Trading derivatives	18	0	18	0	18
Total assets	712	143	855	104	959
thereof impaired	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction					
Austria	700	0	700	0	700
Central and Eastern Europe	12	19	30	65	95
Other jurisdictions	0	125	125	39	164
Liabilities					
Equity instruments	142	0	142	0	142
Debt securities issued	259	0	259	0	259
Deposits	2,022	0	2,022	0	2,022
Trading derivatives	25	0	25	0	25
Total liabilities	2,447	0	2,447	0	2,448
Off balance-sheet commitments	71	0	71	0	71

Other disclosure matters

61. Related-party transactions

In the course of its ordinary business activity Erste Group enters into business relationships with related persons and entities. Shareholders of Erste Group Bank AG are classified as related parties if they have significant influence over Erste Group. In addition, Erste Group also defines as related parties subsidiaries that are controlled but not consolidated due to non-materiality as well as associated entities and joint ventures that are included in the consolidated financial statements by the equity method. Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements as they have been eliminated. Furthermore, related persons consist of key management personnel, i.e. management and supervisory board members of Erste Group Bank AG. Moreover, Erste Group defines close family members of management and supervisory board members of Erste Group Bank AG, as well as companies which are controlled or significantly influenced by management and supervisory board members of Erste Group Bank AG, as other related parties. Banking transactions with related persons and entities are done at arm's length.

Transactions with shareholders of Erste Group Bank AG

Erste österreichische Spar-Casse Privatstiftung

In addition to its shareholding of the subscribed capital of Erste Group Bank AG, there are other factors giving Erste österreichische Spar-Casse Privatstiftung (ERSTE Stiftung) significant influence over Erste Group. As of 31 December 2022, Erste Group had liabilities toward ERSTE Foundation of EUR 18.6 million (2021: EUR 29.2 million). In addition, ERSTE Foundation held bonds issued by Erste Group Bank AG in the amount of EUR 0.1 million (2021: EUR 0.2 million). The mentioned transactions resulted in interest expenses of EUR 0.0 million (2021: EUR 0.1 million). Furthermore, Erste Group received fee and commission income of EUR 0.1 million as well as rental income from operating leasing of EUR 0.3 million. In 2022, ERSTE Foundation received a dividend of EUR 78.0 million (2021: EUR 72.5 million) on its shareholding in Erste Group Bank AG.

Under article 15.1 of the articles of association of Erste Group Bank AG, for the duration of its assumption of liability for all current and future debts in the event of default on payment by Erste Group Bank AG, the ERSTE Foundation is entitled, pursuant to Section 92 (9) of the Austrian Banking Act, to delegate up to one-third of the supervisory board members to be elected at the Annual General Meeting of Erste Group Bank AG.

Transactions with not consolidated subsidiaries, associated entities and joint ventures

Balances and off-balance exposures

in EUR million	Dec 21			Dec 22		
	Subsidiaries, not consolidated	Associated entities	Joint ventures	Subsidiaries, not consolidated	Associated entities	Joint ventures
Financial assets	115.7	535.5	234.6	86.3	598.1	386.3
Equity instruments	83.1	65.2	18.4	55.0	61.6	17.5
Debt securities	0.0	5.5	0.0	0.0	52.1	0.0
Loans and advances	32.7	464.8	216.2	31.3	484.4	368.7
Loans and advances credit institutions	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances customers	32.7	464.8	216.2	31.3	484.4	368.7
of which impaired	0.0	0.0	0.0	2.4	0.0	0.0
Financial liabilities	43.8	168.8	14.3	28.9	192.3	12.3
Deposits	43.8	168.8	14.3	28.9	192.3	12.3
Deposits from banks	0.6	0.0	0.2	0.9	0.0	0.0
Deposits from customers	43.2	168.8	14.1	28.0	192.3	12.3
Other financial instruments						
Loan commitments, financial guarantees and other commitments given (notional amount)	9.2	224.9	100.1	4.9	144.4	110.8
of which defaulted	0.0	0.0	0.0	0.1	0.1	0.0
Loan commitments, financial guarantees and other commitments received (notional amount)	0.0	1.2	0.0	0.0	0.5	0.0
Credit loss allowances and provisions	26.7	-5.0	0.0	8.9	-5.2	0.0

Expenses and income

in EUR million	1-12 21			1-12 22		
	Subsidiaries, not consolidated	Associated entities	Joint ventures	Subsidiaries, not consolidated	Associated entities	Joint ventures
Interest income	0.6	6.1	3.1	0.8	7.3	4.2
Fee and commission income	0.0	1.0	0.3	0.2	1.3	2.0
Dividend income	8.1	3.6	1.1	4.2	4.4	0.9
Interest expenses	0.0	-0.1	0.0	0.0	0.0	0.0
Fee and commission expenses	-1.5	-2.7	0.0	-2.0	-2.4	-0.2
Expenses from impairment of financial instruments	-0.3	-0.7	0.0	0.0	0.0	-0.1
Impairment result from financial instruments	0.5	0.6	0.0	2.9	1.2	3.0

Transactions with key management personnel

Remuneration of management and supervisory board members

The following table shows total remuneration of the members of the management and supervisory board. The expenses were recognised on an accrual basis in line with the respective rules of the underlying standards IAS 19 and IFRS 2. The amounts disclosed correspond to the estimated disbursement as of the balance sheet date and may deviate from the ones which will be finally paid.

in EUR million	1-12 21			1-12 22		
	Management board	Supervisory board	Total	Management board	Supervisory board	Total
Short-term employee benefits	6.5	1.6	8.1	7.3	1.4	8.7
Post-employment benefits	0.8		0.8	1.2		1.2
Other long-term benefits	1.6		1.6	1.4		1.4
Share-based payment	4.8		4.8	2.2		2.2
Total	13.7	1.6	15.3	12.1	1.4	13.6

Short-term employee benefits. Under this category salaries, benefits in kind, social security contributions and other short-term benefits are included. Further, this category includes variable remuneration to be settled in cash within one year. Disclosed remuneration for supervisory board members comprises supervisory board compensation, meeting fees as well as remuneration for board functions in fully consolidated subsidiaries.

Post-employment benefits. The members of the management board participate in the defined contribution pension plan of Erste Group according to the same principles as the employees of the Group (see Note 54 Provisions). Post-employment benefits shown in the table above contain contribution payments to pension schemes and to severance schemes ('Mitarbeiter-Vorsorgekasse').

Other long-term benefits. This category includes variable remuneration to be settled in cash, but payable - deferred over several years - only after one year. In addition, net allocations to provisions for jubilee payments (see Note 54 Provisions) are also reported under this category.

Share-based payment transactions. Expenses for variable share-based payments are disclosed under this line (refer to Note 62 Share-based payments, Share-based payment for the management board of Erste Group Bank AG).

On 31 December 2022 the outstanding amount of liability for variable remuneration towards members of the management board amounts to EUR 7.4 million (2021: EUR 12.9 million). This amount includes liabilities resulting from the Share-based Payment Program for the management board of Erste Group Bank AG (for the performance year 2021 for the first time) and liabilities from unpaid deferred tranches from the Phantom Shares Program (for performance years up to 2021). For further details please refer to Note 62 Share-based payments.

The members of the management board of Erste Group were granted a remuneration of 0.5% (2021: 0.5%) of the total personnel expenses for their activities in the financial year 2022.

In 2022, EUR 2.7 million (2021: EUR 4.7 million) was paid in cash and EUR 57,669 (2021: EUR 83,868) share-equivalents were assigned to former board members and their dependents.

Banking transactions with key management personnel

As of the end of 2022, loans and advances granted to members of the management board and supervisory board totalled EUR 1.9 million (2021: EUR 1.1 million). Deposits of members of the management board and supervisory board at Erste Group amounted to EUR 16.2 million (2021: EUR 3.0 million) in total. Members of the management and supervisory board held bonds issued by Erste Group of EUR 0.0 million (2021: EUR 0.1 million). Loan commitments and financial guarantees, issued in favour of members of the management and supervisory board totalled EUR 0.1 million (2021: EUR 0.5 million) as of the end of 2022. From banking transactions with members of the management board and supervisory board Erste Group received interest income and fee income of EUR 0.0 million (2021: EUR 0.0 million) in total.

Transactions with other related parties

Loans and advances to close family members of key management employees and companies over which key management employees have control or significant influence (hereinafter referred to 'other related parties') totalled EUR 4.5 million (2021: EUR 46.0 million) as of 31 December 2022. As of the end of 2022, deposits of other related parties at Erste Group amounted to EUR 71.9 million (2021: EUR 88.0 million) in total. Loan commitments and financial guarantees, issued in favour of other related parties totalled EUR 0.1 million (2021: EUR 23.0 million) as of the end of 2022. From banking transactions with other related parties Erste Group received interest income and fee income of EUR 0.0 million (2021: EUR 1.5 million) in total, and paid interest and fee expenses of EUR 0.0 million (2021: EUR 0.1 million).

62. Share-based payments

The total expense recognised during the reporting period arising from share-based payment transactions amounts to EUR 32.9 million (2021: EUR 38.9 million), thereof EUR 31.3 million (2021: EUR 16.1 million) relate to equity-settled share-based payment transactions. At the end of the reporting period the liability arising from share-based payment transactions amounts to EUR 32.2 million (2021: EUR 45.1 million). The intrinsic value of the liability is EUR 33.8 million (2021: EUR 52.1 million).

Share-based payment for the management board of Erste Group Bank AG

The share-based remuneration plan for the executive board of Erste Group Bank AG comprises short-term and long-term variable remuneration components. The total amount of variable compensation is determined in the following year by a resolution of the supervisory board.

Upfront share-based remuneration. 20% of the bonus will be converted into shares on the date of this supervisory board resolution and is transferred to the participant's securities deposit after one year.

Deferred share-based remuneration. 30% of the bonus is converted into performance share units (PSUs) on the day of the supervisory board resolution using the average share price of the last 30 trading days. A PSU represents an unsecured, conditional right to receive shares of Erste Group Bank AG in the future. In the following five years, the initial number of PSUs is adjusted in a range from 120% to 0% to the group's performance based on performance criteria, which the supervisory board reviews on a yearly basis and adjusts in exceptional cases. The final number of PSUs corresponds to the number of shares, which is transferred to the participant's securities deposit after a retention period of another year.

The awarded shares and PSUs are equity-settled share-based payments that vest by the end of the performance year. The determination of the grant date requires an assessment of all the circumstances. As the supervisory board has significant discretionary powers in connection with the assessment of the performance in the performance year, the grant is made with the resolution of the supervisory board on the bonus awarded for the past performance year.

For the performance year 2022, it is expected that 30,959 shares and 46,439 PSUs (2021: 26,012 shares and 39,019 PSUs) will be granted to participants. The fair value of PSUs on the measurement date is calculated based on a Monte Carlo simulation model considering the achievement level of Erste Group performance over the next five years and the share price of Erste Group Bank AG. The estimated fair value on the balance sheet date is EUR 2.0 million (2021: EUR 2.4 million). In 2022 in total personnel expenses of EUR 2.2 million (2021: EUR 2.4 million) and a corresponding retained earnings reserve were recognised.

Phantom shares program

Erste Group grants selected employees every year a bonus for services rendered in the past year (vesting period). If the individual bonus exceeds a certain limit, the final payout amount of at least 25% depends on the development of the average, volume-weighted, daily price of Erste Group shares in subsequent years (phantom share program). The program applies to Erste Group entities in different countries, with different amounts and share equivalents. The share equivalents (phantom shares) are divided into several tranches, which differ in the duration of the observation period for the development of the Erste Group share price.

The phantom share program meets the criteria for cash-settled share-based payments in accordance with IFRS 2.

The estimated fair value of variable compensation for share equivalents is recognised in profit or loss. The liability for stock equivalents that have not yet been paid out is continuously measured at fair value until payment is made. Fair value changes and changes of the final allocation in subsequent years are recognised in profit or loss. To determine the fair value, the number of share equivalents not yet paid out as at the balance sheet date is multiplied by the estimated average price of Erste Group shares for the respective payout year. The fair values of the share equivalents for the respective payout year are determined using an option pricing model (Black-Scholes model). The main parameters are the share price of the Erste Group share on the balance sheet date and the dividend payments expected until payment.

For 2022, it is expected that 243,127 (2021: 221,422) share equivalents with a fair value of EUR 7.2 million (2021: EUR 8.7 million) will be granted to eligible employees. The total expense recognised in the reporting period for the phantom share program amounts to EUR 1.5 million (2021: EUR 22.9 million), the carrying amount of the liability as at the balance sheet date is EUR 32.2 million (2021: EUR 45.1 million). The intrinsic value of the liability from unpaid share equivalents is EUR 33.8 million (2021: EUR 52.1 million).

WeShare by Erste Group program

The WeShare by Erste Group-Participation program and the WeShare by Erste Group-Investment Plus program are equity-settled share-based payment transactions. Both programs are offered to employees of Erste Group provided that specific requirements (e.g. capital and liquidity requirements, payment of dividends, ECB approval) are met.

Under the WeShare by Erste Group-Investment Plus program all employees, who had been employed by an entity of the Erste Group, from March/April 2022 until September 2022 could voluntarily invest in Erste Group shares and receive free shares depending on the amount of their personal investment. The WeShare by Erste Group-Investment Plus program was settled in September 2022. The number of free shares, which were granted under this program for the reporting period, is 966,742. Personnel expenses in the amount of EUR 22.2 million were recorded.

Under the WeShare by Erste Group-Participation program all employees, who have been employed by an entity of the Erste Group for at least six months in year 2022 and are still employed until the transfer of the shares to the employees in June 2023 are entitled to receive shares in an equivalent amount of EUR 350. The expected number of free shares, which are granted under this program for the period, is 544,374 (2021: 384,721). Based on the number of entitled employees, personnel expenses in the amount of EUR 6.9 million (2021: EUR 13.6 million) were recorded and a corresponding reserve in retained earnings was created.

63. Fees of the auditors

The following table contains fees charged by the auditors of Erste Group Bank AG and subsidiaries for the financial years 2022 and 2021; the auditors being Sparkassen-Prüfungsverband (auditing agency) and Price Waterhouse Coopers. The values for PricewaterhouseCoopers comprise the services of 'PwC Wirtschaftsprüfung GmbH' as well as the PwC network. The amounts in the table include value-added tax.

in EUR million	Dec 21	Dec 22
Statutory audit of financial statements/consolidated financial statements	13.2	14.1
Audit fees - PwC	5.5	6.2
Audit fees - Sparkassen-Pfungsverband	7.6	7.9
Other assurance services	2.9	2.5
Other assurance services - PwC	1.6	1.6
Other assurance services - Sparkassen-Pfungsverband	1.3	0.9
Tax consulting	0.0	0.0
Tax consulting - PwC	0.0	0.0
Tax consulting - Sparkassen-Pfungsverband	0.0	0.0
Other services	0.2	0.6
Other services - PwC	0.2	0.6
Other services - Sparkassen-Pfungsverband	0.0	0.0
Total	16.3	17.2

The Sparkassen-Prüfungsverband (Austrian Savings Bank Auditing Association) provided audit services for an amount of EUR 1.8 million (2021: EUR 1.8 million) to Erste Group Bank AG and EUR 6.1 million (2021: EUR 5.7 million) for the subsidiaries. For other assurance services EUR 0.0 million (2021: EUR 0.0 million) were charged to the subsidiaries of Erste Group Bank AG while EUR 0.0 million (2021: EUR 0.0 million) is the amount for other services provided to the subsidiaries. The amounts in the table above include also fees for services provided by SPV Wirtschaftsprüfungsges.m.b.H.

The auditor 'PwC Wirtschaftsprüfung GmbH' provided audit services to Erste Group Bank AG for EUR 1.4 million (2021: EUR 1.3 million) and to the subsidiaries for EUR 0.7 million (2021: EUR 0.6 million). An amount of EUR 4.1 million (2021: EUR 4.0 million) was charged for audit services of the PricewaterhouseCoopers network to the subsidiaries. The total amount for other assurance services provided by 'PwC Wirtschaftsprüfung GmbH' is EUR 0.5 million (2021: EUR 0.3 million).

64. Assets held for sale and liabilities associated with assets held for sale

Non-current assets are classified as held for sale if they can be sold in their present condition and the sale is highly probable within 12 months of classification as held for sale. If assets are to be sold as part of a group that may also contain liabilities (e.g. a subsidiary), they are referred to as disposal group held for sale.

Assets classified as held for sale and assets belonging to disposal groups held for sale are reported under the balance sheet line item 'Assets held for sale'. Liabilities belonging to the disposal groups held for sale are presented on the balance sheet under the line item 'Liabilities associated with assets held for sale'.

Non-current assets and disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Should the impairment loss in a disposal group exceed the carrying amount of the assets that are within the scope of IFRS 5 measurement requirements, there is no specific guidance on how to treat such a difference. Erste Group recognises this difference as a provision under the balance sheet line item 'Provisions'.

in EUR million	Dec 21	Dec 22
Assets held for sale	73	167
Liabilities associated with assets held for sale	0	115

In 2022 entity Banca Comerciala Romana Chisinau S.A. met the criteria for the classification as a disposal group held for sale. It consists of assets held for sale in the amount of EUR 152.3 million and liabilities associated with assets held for sale in the amount of EUR 114.9 million. The fair value less costs to sell was lower than the carrying amount of the disposal group. The difference was first allocated to non-financial assets in scope of IFRS 5 measurement requirements and resulted in an impairment loss of EUR 2.3 million and the remaining amount of EUR 20.1 million was recognised as a provision.

As of the end of 2022, 'Assets held for sale' other than those belonging to the disposal group held for sale include mainly land and buildings in amount of EUR 13.8 million (2021: EUR 24.1 million). Assets held for sale are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell. The fair values are determined by experts with recognised and relevant professional qualification.

Fair values and fair value hierarchy

in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Dec 22					
Assets for which the FV is presented in the balance sheet					
Assets held for sale	12	13	0	0	13

Dec 21					
Assets for which the FV is presented in the balance sheet					
Assets held for sale	2	3	0	0	3

65. Assets and liabilities denominated in foreign currencies and outside Austria and return on assets

Assets and liabilities not denominated in EUR

in EUR million	Dec 21	Dec 22
Assets	115,244	115,254
Liabilities	93,626	92,881

Assets and liabilities outside Austria

in EUR million	Dec 21	Dec 22
Assets	168,571	189,680
Liabilities	134,296	145,529

Return on assets (net profit for the year divided by average total assets) was 0.84% at 31 December 2022 (2021: 0.82%).

66. Analysis of remaining maturities

Expected remaining maturities of assets and liabilities

in EUR million	Dec 21		Dec 22	
	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	45,495	0	35,685	0
Financial assets HFT	3,945	2,528	5,636	2,129
Derivatives	808	1,455	819	900
Other financial assets held for trading	3,138	1,072	4,818	1,229
Non-trading financial assets at FVPL	1,117	2,007	350	2,385
Equity instruments	9	323	21	325
Debt securities	1,090	885	299	1,251
Loans and advances to customers	18	790	30	809
Financial assets at FVOCI	1,111	7,771	2,283	7,276
Equity instruments	-12	144	0	99
Debt securities	1,123	7,626	2,283	7,177
Financial assets at AC	52,485	177,156	56,358	197,002
Debt securities	3,543	32,008	3,790	36,821
Loans and advances to banks	18,765	2,227	15,689	2,747
Loans and advances to customers	30,177	142,922	36,879	157,434
Finance lease receivables	472	3,737	499	4,054
Hedge accounting derivatives	17	61	49	110
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	-4	-1	-37
Property and equipment	0	2,645	0	2,618
Investment properties	0	1,344	0	1,372
Intangible assets	0	1,362	0	1,347
Investments in associates and joint ventures	0	211	0	209
Current tax assets	135	0	109	0
Deferred tax assets	0	562	0	629
Assets held for sale	73	0	167	0
Trade and other receivables	2,083	70	2,268	136
Other assets	934	111	1,171	61
Total Assets	107,867	199,561	104,575	219,290
Financial liabilities HFT	1,058	1,416	1,538	1,726
Derivatives	733	891	1,441	1,185
Other trading liabilities	325	525	97	541
Financial liabilities at FVPL	2,671	7,793	2,677	8,138
Deposits	429	66	1,299	54
Debt securities issued	2,052	7,727	1,226	8,084
Other financial liabilities	191	0	151	0
Financial liabilities at AC	185,750	79,665	207,389	71,543
Deposits from banks	12,542	19,344	16,886	11,934
Deposits from customers	167,837	42,192	184,047	38,572
Debt securities issued	4,244	18,108	5,569	21,024
Other financial liabilities	1,128	21	886	13
Lease liabilities	61	527	58	604
Hedge accounting derivatives	231	79	133	240
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	563	1,423	428	1,248
Current tax liabilities	144	0	127	0
Deferred tax liabilities	0	19	0	16
Liabilities associated with assets held for sale	0	0	115	0
Other liabilities	1,860	656	1,968	614
Total Liabilities	192,339	91,576	214,432	84,128

67. Events after the balance sheet date

There are no significant events after the balance sheet date.

68. Country by country reporting

The following country by country breakdown complies with the disclosure requirements of Article 89 of the EU Capital Requirements Directive IV:

in EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Dec 22				
Austria	4,040	1,283	-142	-197
Croatia	414	213	-48	-31
Czech Republic	1,617	615	-172	-153
Hungary	721	338	-27	-23
Romania	840	408	-83	-69
Serbia	129	27	-1	0
Slovakia	588	260	-66	-69
Other locations	221	79	-17	-5
Total	8,571	3,222	-556	-549
Dec 21				
Austria	3,660	1,117	-166	-101
Croatia	399	179	-30	-4
Czech Republic	1,444	550	-154	-145
Hungary	501	217	-26	-14
Romania	765	402	-65	-41
Serbia	118	34	-1	-1
Slovakia	621	346	-75	-85
Other locations	234	89	-8	-2
Total	7,742	2,933	-525	-391

For information regarding the country of residence of each fully consolidated entity refer to Note 71 Details of the companies wholly or partly owned by Erste Group as of 31 December 2022.

Information about the geographical split of the average number of headcounts employed in Erste Group throughout 2022 is disclosed in Note 8 General administrative expenses.

69. Interest Rate Benchmark Reform

On 31 December 2021 publication of the CHF, GBP, JPY LIBOR rates for all tenors and USB LIBOR rates for 1-week and 2-month tenors was ceased. Remaining USD LIBOR rates representing the more liquid tenors (overnight, 1-month, 3-month, 6-month, 12month) will be ceased on 30 June 2023.

Regarding other IBOR-linked financial instruments, Erste Group considers that EURIBOR interest rates which have been reformed and are EU Benchmark Regulation compliant are not currently affected. Also, other local IBOR rates used in Erste Group member countries are considered not to be affected (PRIBOR for CZK, BUBOR for HUF, ROBOR for RON, BELIBOR for RSD).

Erste Group has a dedicated project addressing the interest rate benchmark reform. For LIBOR rates ceased on 31 December 2021 LIBOR-based new business was stopped in 2021 and necessary changes in systems, risk management, communication and accounting as well as the transition of legacy contracts have been executed.

New business in USD LIBOR was allowed until the end of 2021. New alternative reference rates (ARR) are licensed and systems are ready for new ARR-linked business. Fallback plans related to establishing processes for interest benchmark replacements were created by the end of 2021. Regarding USD LIBOR the amendment of fallback language in contracts is in progress. The transition of USD LIBOR legacy contracts will be executed by mid of 2023.

ARRs replacing LIBOR are overnight rates. There are significant differences between the LIBOR and ARR. LIBOR is a 'term rate' published at a start of a borrowing period with certain tenor (such as 3 months), i.e. it is 'forward-looking'. ARR are generally overnight 'backward-looking' rates resulting from actual transactions. Following ARR are in place for the respective currencies:

- _ SOFR (Secured Overnight Financing Rate) for USD
- _ SONIA (Sterling Overnight Index Average) for GBP
- _ SARON (Swiss Average Rate Overnight) for CHF
- _ TONAR (Tokyo Overnight Average Rate) for JPY

LIBOR rates in general include a credit spread component reflecting the riskiness of lending on the interbank market for the respective tenors. As a result, the ARR, when replacing LIBOR rates, must include a spread adjustment to ensure economic equivalence addressing the tenor, credit risk and other differences.

For USD, GBP and JPY also forward-looking term rates are available. They are derived from interest rate derivative markets indexed to the overnight ARR. They are mandatorily applied in the consumer protected loan business of Erste Group where the rates have to be known at the beginning of interest periods.

For CHF forward-looking term rates are not available. Commission Implementing Regulation (EU) 2021/1847 stipulates statutory replacement rates in the area of consumer, mortgage and small business floating rate loans with CHF LIBOR reference rates to which Erste Group is significantly exposed. 1-month CHF LIBOR rates are replaced by 1-month SARON compound rate, as observed over the 1-month period preceding the interest period and 3-month, 6-month and 12-month CHF LIBOR rates by 3-month SARON Compound Rate, as observed over the 3-month period preceding the interest period (including adjustment spreads).

Regarding the accounting treatment of the interest rates replacement a practical expedient has been provided by the Interest Rate Benchmark Reform – Phase 2 amendments of IFRS 9 issued in August 2020. It requires that changes in the rates resulting from the interest rate benchmark reform are reflected by adjusting the effective interest rate of the instruments. No immediate gain or loss is recognised. This expedient is only applicable to changes that are required by interest rate benchmark reform, i.e. and only if:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (including a fixed spread necessary to compensate for the basis difference between the LIBOR rates and the ARR rates).

The LIBOR rate replacements for ARRs in Erste Group business qualify for application of this practical expedient.

By 2022 year end all financial instruments with GBP, JPY and CHF LIBOR-linked interest transitioned to the ARRs.

Volume of LIBOR-linked financial instruments which have transitioned to the new ARRs by 2022

in EUR million	Financial assets Carrying amount	Financial liabilities Carrying amount	Derivatives Notional amount
CHF LIBOR	2,267	12	2,419
GBP LIBOR	52	9	60
JPY LIBOR	94	2	50

Volume of LIBOR-linked financial instruments held on 31 December 2022 which are yet to transition to the new ARRs

Volume of LIBOR-linked financial instruments held on 31 December 2022 which are yet to transition to the new rates							
	Financial assets			Financial liabilities			Derivatives
	Loans and advances to customers	Loans and advances to banks	Debt securities	Deposits from customers	Deposits from banks	Debt securities issued	
in EUR million	Carrying amount			Carrying amount			Notional amount
USD LIBOR	1.786	113	401	549	72	0	4.254

Disclosures regarding application of the interest rate benchmark reform in the area of hedge accounting can be found in Note 27 Hedge Accounting.

70. Government grants

A government grant is recognised in Erste Group's financial statements, when there is reasonable assurance that it will be received and that Erste Group will comply with the conditions attached to it. Grants that compensate for the acquisition of assets are presented as deduction from the cost of the related asset and are recognised in profit or loss over the periods and in the proportions, in which depreciation and amortisation expenses on those assets are recognised. Grants that compensate for expenses incurred are presented as deduction of relevant expenses in the period in which the expenses are incurred.

The total amount of government grants recognised in the group adds up to EUR 8.1 million (2021: EUR 6.3 million). Out of this total amount, EUR 2.4 million (2021: EUR 3.5 million) are related to an investment program in Austria ('Investitionsprämie'), which was offered to support the economy due to the Covid-19 crisis. Using this opportunity, Erste Group invested in tangible and intangible depreciable fixed assets and the government refunded 7% or 14% (in case of digitalisation projects) of the investment. Further, some Austrian entities applied for a reimbursement of the remuneration paid to their employees during quarantine and childcare leave ('Personalkostenzuschuss') and received around EUR 3.8 million (2021: EUR 1.3 million).

71. Details of the companies wholly or partly owned by Erste Group as of 31 December 2022

The table below presents material, fully consolidated subsidiaries, investments in associates accounted for at equity and other investments.

Company name, registered office	Interest of Erste Group in %		
	Dec 21	Dec 22	
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	39.2	19.0
Banca Comerciala Romana Chisinau S.A.	Chisinau	99.9	99.9
Banca Comerciala Romana SA	Bucharest	99.9	99.9
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Wien	100.0	100.0
BCR Banca pentru Locuinte SA	Bucharest	99.9	99.9
Ceska sporitelna, a.s.	Praha	100.0	100.0
Die Zweite Wiener Vereins-Sparkasse	Wien	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
ERSTE BANK AKCIONARSKO DRUŠTVO, NOVI SAD	Novi Sad	80.5	80.5
Erste Bank der oesterreichischen Sparkassen AG	Wien	100.0	100.0
Erste Bank Hungary Zrt	Budapest	100.0	100.0
Erste Group Bank AG	Wien	0.0	0.0
ERSTE Jelzálogbank Zártkörűen Működő Részvénytársaság	Budapest	100.0	100.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	100.0	100.0
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems	0.0	0.0
Lienzer Sparkasse AG	Lienz	0.0	0.0
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	100.0	100.0
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden	0.0	0.0
Sparkasse Bank AD Skopje	Skopje	23.9	24.1
Sparkasse Bank dd Bosna i Hercegovina	Sarajevo	25.0	25.0
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen	0.0	0.0
SPARKASSE FRANKENMARKT AKTIENGESELLSCHAFT	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach Bank Aktiengesellschaft	Herzogenburg	0.0	0.0
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürrzusschlag Aktiengesellschaft	Mürrzusschlag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Pöllau AG	Pöllau	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	4.2	4.2
Stavebni sporitelna Ceske sporitelny, a.s.	Praha	100.0	100.0
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0

Company name, registered office	Interest of Erste Group in %		
		Dec 21	Dec 22
Financial institutions			
"Die Kärntner" Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	25.0
"Die Kärntner" Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
"Nare" Grundstücksverwertungs-Gesellschaft m.b.H.	Wien	100.0	100.0
ACP Financial Solutions GmbH	Wien	75.0	75.0
Alea-Grundstückverwaltung Gesellschaft m.b.H.	Wien	100.0	100.0
AVION-Grundverwertungsgesellschaft m.b.H.	Wien	51.0	51.0
BCR Leasing IFN SA	Bucharest	99.9	99.9
BCR Payments Services SRL	Sibiu	99.9	99.9
BCR Social Finance IFN S.A.	Bucharest	79.5	79.5
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
DIE ERSTE Leasing Grundbesitzgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Grundstückverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Immobilienbesitzgesellschaft m.b.H.	Wien	100.0	100.0
DIE ERSTE Leasing Immobilienverwaltungs- und -vermietungsgesellschaft m.b.H.	Wien	100.0	100.0
EB Erste Bank Internationale Beteiligungen GmbH	Wien	100.0	100.0
EB-Grundstücksbeteiligungen GmbH	Wien	100.0	100.0
EKZ-Immorent Vermietung GmbH	Wien	100.0	100.0
Epsilon Immorent s.r.o.	Praha	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	47.1	47.1
Erste Bank und Sparkassen Leasing GmbH	Wien	100.0	100.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticama, d.o.o.	Ljubljana	69.3	28.0
Erste Finance (Delaware) LLC	Wilmington	100.0	100.0
Erste Group Immorent CR s.r.o.	Praha	100.0	100.0
Erste Group Immorent GmbH	Wien	100.0	100.0
Erste Group Immorent International Holding GmbH	Wien	100.0	100.0
Erste Group Immorent Lízing Zártkörűen Működő Részvénytársaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o.	Ljubljana	100.0	100.0
Erste Social Finance Holding GmbH	Wien	60.0	60.0
Eva-Realitätenverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
F & S Leasing GmbH	Klagenfurt	100.0	100.0
Factoring Ceske sporitelny a.s.	Praha	100.0	100.0
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.	Wien	62.5	62.5
Holding Card Service s.r.o.	Praha	100.0	100.0
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	54.6	54.6
Immo Smaragd GmbH	Schwaz	0.0	0.0
Immorent - Immobilienleasing Gesellschaft m.b.H.	Wien	100.0	100.0
ImmoRent Einkaufszentren Verwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT EPSILON, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
Immorent Oktatási Ingatlanhasznosító és Szolgáltató Kft.	Budapest	56.0	56.0
IMMORENT PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
IMMORENT RIED GmbH	Wien	100.0	100.0
IMMORENT-ANUBIS Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Clio-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Gamma-Grundstücksverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-GREKO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Kappa Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-LEANDER Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-MOMO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-NERO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-PAN Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-Raiffeisen Fachhochschule Errichtungs- und BetriebsgmbH	Wien	55.0	55.0
IMMORENT-RASTA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-REMUS Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RIALTO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.	Wien	55.0	55.0
IMMORENT-RIWA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RONDO Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-RUBIN Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Immorent-Theta-Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
Immorent-WBV Grundverwertungsgesellschaft m.b.H.	Wien	50.0	50.0
IMNA-Immorent Immobilienleasing GmbH	Wien	100.0	100.0
Intermarket Bank AG	Wien	93.8	93.8
IR Beteiligungsverwaltungsgesellschaft mbH	Wien	100.0	100.0
IR REAL ESTATE LEASING d.o.o. u likvidaciji	Zagreb	92.5	92.5
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Leasing České sporitelny, a.s.	Praha	100.0	100.0
MEKLA Leasing Gesellschaft m.b.H.	Wien	100.0	100.0
NAXOS-Immorent Immobilienleasing GmbH	Wien	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	St. Pölten	2.5	2.5

Company name, registered office		Interest of Erste Group in %	
		Dec 21	Dec 22
Ölim-Grundverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
OMEGA IMMORENT s.r.o.	Praha	100.0	100.0
OREST-Immorent Leasing GmbH	Wien	100.0	100.0
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Wien	100.0	100.0
PAROS-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
PREDUZECE ZA FINANSIJSKI LIZING S-LEASING DOO, BEOGRAD	Belgrade	66.6	66.6
RHEA-Immorent Holding GmbH	Wien	100.0	100.0
s Autoleasing SK, s.r.o.	Bratislava	100.0	100.0
S IMMORENT OMIKRON društvo s ogranicenom odgovornošću za poslovanje nekretninama	Zagreb	100.0	100.0
s Wohnbaubank AG	Wien	100.0	100.0
SCIENTIA Immorent GmbH	Wien	100.0	100.0
Sieben Tiroler Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-Leasing Immobilienvermietungsgesellschaft m.b.H.	Wiener Neustadt	33.3	33.3
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
SPARKASSE IMMORENT Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Sparkasse Leasing društvo sa ogranicenom odgovornošću za leasing nekretnina, vozila, brodova i mašina, Sarajevo	Sarajevo	25.0	25.0
Društvo za leasing Sparkase Lizing d.o.o. Skopje	Skopje	24.5	24.6
Sparkasse Leasing S, družba za financiranje d.o.o.	Ljubljana	28.0	28.0
Sparkassen IT Holding AG	Wien	31.6	28.8
Sparkassen Leasing Süd GmbH	Graz	25.0	25.0
Strabag Oktatási PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	70.0	70.0
Subholding Immorent GmbH	Wien	100.0	100.0
TAURIS-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Wien	100.0	100.0
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.0	0.0
WUESTA-Immorent Immobilienleasing GmbH	Wien	100.0	100.0

Company name, registered office	Interest of Erste Group in %		
	Dec 21	Dec 22	
Other			
"DIE EVA" Grundstückverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava	91.1	91.1
BCR Fleet Management SRL	Bucharest	99.9	99.9
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Bucharest	99.9	99.9
BOOTES-Immorent Grundverwertungs-Gesellschaft m.b.H.	Bucharest	100.0	100.0
BP Budejovicka, s. r. o.	Praha	100.0	100.0
BP Olbrachtova, s. r. o.	Praha	100.0	100.0
BP Polackova, s. r. o.	Praha	100.0	100.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0	25.0
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Budejovicka development, s. r. o.	Praha	100.0	100.0
CEE Property Development Portfolio 2 a.s.	Praha	100.0	100.0
CEE Property Development Portfolio B.V.	Amsterdam	20.0	20.0
Ceska sporitelna - penzijni spolecnost, a.s.	Praha	100.0	100.0
Cinci-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Collat-real Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
Commerzbank Zrt.	Budapest	0.0	100.0
CPDP 2003 s.r.o.	Praha	100.0	100.0
CPP Lux S. 'ar.l.	Luxembourg	20.0	20.0
CS NHQ, s.r.o.	Praha	100.0	100.0
CS Seed Starter, a.s.	Praha	100.0	100.0
Czech and Slovak Property Fund B.V.	Amsterdam	100.0	100.0
DIE ERSTE Leasing Grundaufschließungs- und Immobilienvermietungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
DIE EVA - Liegenschaftsverwaltungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
DIE EVA-Gebäudeleasinggesellschaft m.b.H.	Wien	100.0	100.0
DIE EVA-Immobilienleasing und -erwerb Gesellschaft m.b.H.	Wien	100.0	100.0
Dienstleistungszentrum Leoben GmbH	Wien	51.0	51.0
Dostupné bydlení České sporitelny, a.s.	Praha	0.0	100.0
EBB Beteiligungen GmbH	Wien	100.0	100.0
EB-Restaurantsbetriebe Ges.m.b.H.	Wien	100.0	100.0
Erste Asset Management d.o.o.	Zagreb	91.1	91.1
Erste Asset Management GmbH	Wien	91.1	91.1
Erste Asset Management Ltd. (vm Erste Alapkezekelo Zrt.)	Budapest	91.1	91.1
Erste Befektetesi Zrt.	Budapest	100.0	100.0
ERSTE CAMPUS Immobilien AG & Co KG	Wien	100.0	100.0
Erste Digital GmbH	Wien	82.8	82.1
Erste Grantika Advisory, a.s.	Brno	100.0	100.0
Erste Group Card Processor d.o.o.	Zagreb	100.0	100.0
ERSTE GROUP IMMORANT HRVATSKA drustvo s ogranicenom odgovornoscu za upravljanje	Zagreb	100.0	100.0
ERSTE GROUP IMMORANT POLSKA SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA W LIKWIDACJI	Warsaw	100.0	100.0
Erste Group Immorent Slovensko s.r.o.	Bratislava	100.0	100.0
Erste Group IT HR drustvo s ogranicenom odgovornošću za usluge informacijskih tehnologija	Bjelovar	75.4	75.4
Erste Group Services GmbH	Wien	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	100.0	100.0
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Wien	68.7	68.7
Erste Ingatlan Fejlesztő, Hasznosító és Mernoki Kft.	Budapest	100.0	100.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
Erste Reinsurance S.A.	Luxembourg	100.0	100.0
Erste Securities Polska S.A.	Warsaw	100.0	100.0
Eva-Immobilienverwaltungsgesellschaft m.b.H.	Wien	100.0	100.0
FUKO-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
George Labs GmbH	Wien	100.0	100.0
GLADIATOR LEASING IRELAND DESIGNATED ACTIVITY COMPANY	Dublin	100.0	100.0
Gladiator Leasing Limited	Pieta	100.0	100.0
GLL A319 AS LIMITED	Pieta	100.0	100.0
GLL MSN 2118 DESIGNATED ACTIVITY COMPANY (in Liqui)	Dublin	100.0	100.0
Graben 21 Liegenschaftsverwaltung GmbH	Wien	100.0	100.0
Haftungsverbund GmbH	Wien	64.3	63.8
HBM Immobilien Kamp GmbH	Wien	100.0	100.0
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
HP Immobilien Psi GmbH	Wien	100.0	100.0
HT Immobilien Tau GmbH	Wien	100.0	100.0
HT Immobilien Theta GmbH	Wien	100.0	100.0
HV Immobilien Hohenems GmbH	Wien	100.0	100.0
IBF-Anlagenleasing 95 Gesellschaft m.b.H.	Wien	100.0	100.0
IGP Industrie und Gewerbepark Wörgl Gesellschaft m.b.H.	Kufstein	0.0	0.0
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0	40.0
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H. "in Liqu."	Wien	41.9	41.9
Immorent - Weiko Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
IMMORENT DELTA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT Österreich GmbH	Wien	100.0	100.0

Company name, registered office		Interest of Erste Group in %	
		Dec 21	Dec 22
Immorent Singidunum d.o.o.	Belgrade	100.0	100.0
IMMORENT Térinvest Ingatlanhasznosító és Szolgáltató Korlátolt Felelősségű Társaság	Budapest	100.0	100.0
IMMORENT-ASTRA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-MÖRE Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	69.5	59.3
IMMORENT-Objektvermietungsgesellschaft m.b.H.	Wien	100.0	100.0
IMMORENT-OSIRIS Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Wien	62.5	62.5
IMMORENT-SARI Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	100.0	100.0
IPS Fonds Gesellschaft bürgerlichen Rechts	Wien	64.4	62.6
IR CEE Project Development Holding GmbH	Wien	100.0	100.0
IZBOR NEKRETNINA D.O.O. ZA USLUGE	Zagreb	69.3	69.3
Jura GrundverwertungsgmbH	Graz	25.0	25.0
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
LANED a.s.	Bratislava	100.0	100.0
Lassallestraße 7b Immobilienverwaltung GmbH	Wien	100.0	100.0
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
MCS 14 Projektentwicklung GmbH & Co KG	Wien	100.0	100.0
OM Objektmanagement GmbH	Wien	100.0	100.0
Österreichische Sparkassenakademie GmbH	Wien	45.8	44.4
ÖVW Bauträger GmbH	Wien	100.0	100.0
Pischeldorfer Straße 221 Liegenschaftsverwertungs GmbH in Liqu.	Wien	100.0	100.0
Procurement Services CZ s.r.o.	Praha	99.9	99.9
Procurement Services GmbH	Wien	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services RO srl	Bucharest	99.9	99.9
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Project Development Vest s.r.l	Bucharest	100.0	100.0
QBC Management und Beteiligungen GmbH	Wien	65.0	65.0
QBC Management und Beteiligungen GmbH & Co KG	Wien	65.0	65.0
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	68.6	59.9
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	61.7	61.7
REICO investični společnost Ceske sporitelny, a.s.	Praha	100.0	100.0
RND Solutions Informatikai Fejlesztő és Szolgáltató Zrt.	Budapest	100.0	100.0
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
s REAL Immobilienvermittlung GmbH	Wien	100.0	100.0
s ServiceCenter GmbH	Wien	58.5	56.2
s Wohnbauträger GmbH	Wien	100.0	100.0
s Wohnfinanzierung Beratungs GmbH	Wien	100.0	100.0
SAI Erste Asset Management S.A.	Bucharest	91.1	91.1
sBAU Holding GmbH	Wien	100.0	100.0
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.0	25.0
sDG Dienstleistungsgesellschaft mbH	Wien	58.8	100.0
S-Invest Beteiligungsgesellschaft m.b.H.	Wien	70.0	70.0
SK - Immobiliengesellschaft m.b.H.	Krems	0.0	0.0
SK Immobilien Epsilon GmbH	Wien	100.0	100.0
SKT Immobilien GmbH	Kufstein	0.0	0.0
SKT Immobilien GmbH & Co KG	Kufstein	0.0	0.0
sMS Marktservice für Sparkassen GmbH	Krems	0.0	0.0
SLSP Seed Starter, s.r.o.	Bratislava	0.0	100.0
SLSP Social Finance, s.r.o.	Bratislava	84.2	84.2
SPARDAT - Bürohauserrichtungs- und Vermietungsgesellschaft m.b.H.	Wien	100.0	100.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach	40.0	40.0
Sparkasse Oberösterreich Kapitalanlagegesellschaft m.b.H.	Linz	37.9	20.7
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	50.0	50.0
Sparkassen-Haftungs GmbH	Wien	64.3	63.8
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt	57.6	57.6
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck	68.7	68.7
SPK OÖ Immobilien GmbH	Linz	0.0	19.0
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-RENT DOO BEOGRAD	Belgrade	35.5	35.5
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
STRAULESTI PROPERTY DEVELOPMENT SRL	Bucharest	100.0	100.0
Support Colect SRL	Bucharest	99.9	99.9
Toplice Sveti Martin d.o.o.	Sveti Martin	100.0	100.0
VIA Immobilien Errichtungsgesellschaft m.b.H.	Wien	100.0	100.0
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	39.2	19.0
XENIA-Immorent Grundverwertungsgesellschaft m.b.H.	Wien	100.0	100.0
Z3 Ingatlanhasznosító Kft.	Budapest	0.0	100.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.0	0.0

Company name, registered office	Interest of Erste Group in %		
		Dec 21	Dec 22
Funds			
ERSTE BOND EURO TREND	Wien	0.0	0.0
ERSTE RESERVE CORPORATE	Wien	0.0	0.0
IPS Fonds II	Wien	0.0	0.0
SPARKASSEN 4	Wien	0.0	0.0
SPARKASSEN 5	Wien	0.0	0.0
SPARKASSEN 8	Wien	0.0	0.0

Company name, registered office	Interest of Erste Group in %		
	Dec 21	Dec 22	
Equity method investments			
Credit institutisons			
Prva stavebna sporitelna, a.s.	Bratislava	35.0	35.0
SPAR-FINANZ BANK AG	Salzburg	50.0	50.0
Financial institutions			
Adoria Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Fondul de Garantare a Creditului Rural IFN SA	Bucharest	33.3	33.3
FORIS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Global Payments s.r.o.	Praha	49.0	49.0
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	33.3	33.3
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H.	Innsbruck	49.0	49.0
LITUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	Eisenstadt	50.0	50.0
NÖ Bürgschaften und Beteiligungen GmbH	Wien	14.4	14.4
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	33.4	33.4
O.Ö. Kommunalgebäude-Leasing Gesellschaft m.b.H.	Linz	40.0	40.0
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Wien	33.3	33.3
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H.	Wien	50.0	50.0
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	50.0	50.0
Steirische Leasing für Gebietskörperschaften Gesellschaft m.b.H.	Wien	50.0	50.0
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Wien	50.5	50.5
SWO Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	50.0	50.0
TKL V Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VIII Grundverwertungsgesellschaft m.b.H.	Innsbruck	24.5	24.5
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
VBV - Betriebliche Altersvorsorge AG	Wien	29.8	29.5
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	35.0	35.0
Other			
APHRODITE Bauträger Aktiengesellschaft	Wien	50.0	50.0
Aventin Grundstückverwaltungs Gesellschaft m.b.H. in Liqu.	St. Pölten	24.5	24.5
CIT ONE SA	Bucharest	33.3	33.3
Dostupny Domov j.s.a.	Nitra	42.0	42.0
Epsilon - Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	50.0	50.0
ERSTE d.o.o.	Zagreb	45.2	45.2
Erste ÖSW Wohnbauträger GmbH	Wien	50.5	50.5
Flottenmanagement GmbH	Wien	51.0	51.0
GELUP GmbH	Wien	33.3	33.3
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	0.8	0.8
Hochkönig Bergbahnen GmbH	Mühlbach	47.4	53.2
Investown Technologies s.r.o.	Zlatníky-Hodkovice	0.0	26.0
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	13.6	13.6
Monilogi s.r.o.	Bratislava	0.0	26.0
SILO DREI next LBG 57 Liegenschaftsverwertung GmbH & Co KG	Wien	49.0	49.0
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Wien	50.0	50.0
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Wien	25.0	25.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H. in Liqu.	Dornbirn	33.3	33.3
Other investments			
Credit institutisons			
Oesterreichische Kontrollbank Aktiengesellschaft	Wien	12.9	12.9
ALTA BANKA AD BEOGRAD	Belgrade	0.0	0.0
Public Joint-stock company commercial Bank "Center-Invest"	Rostov	9.1	9.1
EUROAXIS BANK AD Moskva	Moscow	1.6	1.6
Südtiroler Sparkasse AG	Bozen	0.1	0.1
Financial institutions			
"Österreichisches Siedlungswerk" Gemeinnützige Wohnungsaktiengesellschaft	Wien	1.0	1.0
"Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.1	19.1
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	20.3	20.3
ARWAG Holding-Aktiengesellschaft	Wien	19.3	19.3
Central Securities Depository AD Skopje	Skopje	5.7	4.6
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
CULINA Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
Diners Club International Belgrade d.o.o. Beograd in bankruptcy	Belgrade	69.3	69.3
Diners Club International Montenegro d.o.o. in Podgorica	Podgorica	69.3	69.3
Erste Asset Management Deutschland GmbH	Vaterstetten	91.1	91.1
Erste Private Capital GmbH	Wien	91.1	91.1
EUROPEAN INVESTMENT FUND	Luxembourg	0.1	0.1
EWU Wohnbau Unternehmensbeteiligungs-GmbH	St. Pölten	20.2	20.2
Fondul Roman de Garantare a Creditorilor pentru Intreprinzatorii Privati SA	Bucharest	9.5	9.5
Garantiqa Hitelgarancia Zrt.	Budapest	1.8	2.0
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Mödling	19.2	19.2

Company name, registered office		Interest of Erste Group in %	
		Dec 21	Dec 22
Gemeinnützige Bau- und Siedlungsgenossenschaft "Waldviertel" registrierte Genossenschaft mit beschränkter Haftung	Raabs	0.0	0.0
Gemeinnützige Wohn- und Siedlungsgesellschaft Schönerer Zukunft, Gesellschaft m.b.H.	Wien	15.0	15.0
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	20.0	20.0
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5	7.5
KERES-Immorent Immobilienleasing GmbH	Wien	25.0	25.0
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	75.0	75.0
Lorit Kommunalgebäudeleasing Gesellschaft m.b.H.	Wien	26.7	26.7
LV Holding GmbH	Linz	35.4	20.7
MIGRA Gemeinnützige Wohnungsges.m.b.H.	Wien	19.8	19.8
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0	40.0
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	5.6	3.3
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.6	15.6
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Innsbruck	26.3	26.3
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	2.5	2.5
PSA Payment Services Austria GmbH	Wien	18.5	18.5
Salzburger Kreditgarantiegesellschaft m.b.H.	Salzburg	18.2	18.2
Seilbahnleasing GmbH	Innsbruck	33.3	33.3
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.(CENTRAL DEPOZITORY & CLEARING COMPANY Inc.)	Zagreb	0.1	0.1
TKL II. Grundverwertungsgesellschaft m.b.H.	Wien	26.7	26.7
TKL VI Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VII Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.0	0.0
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Wien	14.4	14.4
Other			
"Die Kärntner" - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.0	25.0
"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.0	25.0
"Die Kärntner"-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg	25.0	25.0
"Gasthof Löwen" Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.0	0.0
"Photovoltaik-Gemeinschaftsanlage" der Marktgemeinde Wolfurt	Wolfurt	0.0	0.0
"S-PREMIUM" Drustvo sa ogranicenom odgovornoscu za posredovanje i zastupanje u osiguranju d.o.o. Sarajevo	Sarajevo	25.0	25.0
"Stolz auf Wien" Beteiligungs GmbH	Wien	0.0	0.0
"TBG" Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	1.5	0.7
"THG" Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.5	0.7
AB Banka, a.s. v likvidaci	Mladá Boleslav	4.5	4.5
Achenseebahn-Aktiengesellschaft in Abwicklung	Jenbach	0.0	0.0
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.0	0.0
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.2	0.2
Agrargemeinschaft Kirchschlag	Kirchschlag	0.0	0.0
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU DELOVA ZA MOTORE GARANT, FUTOG - U STECAJU	Futog	6.2	6.2
ALBA Services GmbH	Wien	50.0	50.0
Alpbacher Bergbahn Gesellschaft m.b.H. & Co.KG.	Alpbach	0.0	0.0
ALPENDORF BERGBAHNEN AG	St. Johann	0.0	0.0
AREALIS Liegenschaftsmanagement GmbH	Wien	50.0	50.0
Argentum Immobilienverwertungs Ges.m.b.H. in Liqu.	Linz	39.2	19.0
AS LEASING Gesellschaft m.b.H.	Linz	39.2	19.0
AS Support GmbH	Linz	39.2	19.0
ASEF S.C.Sp.	Senningerberg	0.0	5.3
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	39.2	19.0
Austrian Reporting Services GmbH	Wien	14.3	14.3
aws Gründerfonds Beteiligungs GmbH & Co KG	Wien	5.1	5.1
Bankovní identita, a.s.	Praha	17.0	17.0
Bäuerliches Blockheizkraftwerk reg. Gen.m.b.H.	Kautzen	0.0	0.0
BCR Asigurari de Viata Vienna Insurance Group SA	Bucharest	5.5	5.5
beex GmbH	Pöllau	0.0	0.0
Beogradska Berza, Akcionarsko Drustvo Beograd	Belgrade	12.6	12.6
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.0	0.0
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.0	0.0
Bergbahn Lofer GmbH	Lofer	7.1	7.1
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.0	0.0
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.0	0.0
BGM - EB-Grundstücksbeteiligungen GmbH & Co KG	Wien	0.0	0.0
Biogenrohstoffgenossenschaft Kemptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Maierisch	0.0	0.0
Biomasse Heizwerk Zürs GmbH	Zürs	0.0	0.0
Biroul de Credit SA	Bucharest	19.4	19.4
Biroul de Credit SRL	Chisinau	9.1	9.1
Brauerei Murau eGen	Murau	0.7	0.7
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.0	0.0
Budapesti Értéktözsde Zártkörűen Működő Részvénytársaság	Budapest	2.0	2.0
Burza cennych papierow v Bratislave, a.s.	Bratislava	3.9	3.9
Camelot Informatik und Consulting Gesellschaft m.b.H.	Wien	4.1	4.1

Company name, registered office		Interest of Erste Group in %	
		Dec 21	Dec 22
CAMPUS 02 Fachhochschule der Wirtschaft GmbH	Graz	1.5	1.5
capital300 EuVECA GmbH & Co KG	Wien	2.6	1.3
Capriel Investment S.A.	Luxembourg	0.0	9.4
Cargo-Center-Graz Betriebsgesellschaft m.b.H	Werdorf	1.6	1.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Werdorf	1.6	1.6
Casa Romana de Compensatie Sibiu	Sibiu	0.4	0.4
CBCB-Czech Banking Credit Bureau, a.s.	Praha	20.0	20.0
Clearing House KIBS AD Skopje	Skopje	4.4	4.5
CRNOMEREC CENTAR D.O.O. ZA PROJEKTIRANJE GRAĐENJE I NADZOR	Zagreb	0.0	0.0
D.C. Travel d.o.o Beograd u stecaju	Belgrade	69.3	69.3
Dachstein Tourismus AG	Gosau	0.0	0.0
Dateio s.r.o.	Praha	22.2	25.8
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.0	25.0
Digital factory s.r.o.	Brno	15.0	15.0
DINESIA a.s.	Praha	100.0	100.0
Dolomitencenter Verwaltungs GmbH	Lienz	50.0	50.0
Dornbirner Seilbahn AG	Dornbirn	0.0	0.0
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Belgrade	0.8	0.8
EBB-Delta Holding GmbH	Wien	100.0	100.0
EBV-Leasing Gesellschaft m.b.H.	Wien	51.0	51.0
EC Energie Center Lipizzanerheimat GmbH	Bärnbach	0.0	0.0
Egg Investment GmbH	Egg	0.0	0.0
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf	0.0	0.0
Einlagensicherung AUSTRIA Ges.m.b.H.	Wien	0.4	1.8
ELAG Immobilien AG	Linz	1.6	0.8
Energie AG Oberösterreich	Linz	0.2	0.1
Erste Diversified Private Equity I	Senningerberg	0.0	0.0
ERSTE Immobilien Alpha "WE-Objekte" GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha APS 85 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Baufeld Omega GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Brünner Straße 124 Liegenschaftsverwaltung GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Eggenberger Gürtel GmbH & Co KG	Graz	0.0	0.0
ERSTE Immobilien Alpha Favoritenstraße 92 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha GmbH	Wien	68.7	68.7
ERSTE Immobilien Alpha Kerensstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Lastenstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Monte Laa GmbH & Co. KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Paragonstraße GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Alpha Ulmgasse GmbH & Co. KG	Wien	0.0	0.0
ERSTE Immobilien Alpha W175 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Wien	0.1	0.1
ERSTE Immobilien Beta GmbH	Wien	68.7	68.7
ERSTE Immobilien Beta GS 131 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Breitenfurter Straße 235 GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma GmbH	Wien	68.7	68.7
ERSTE Immobilien Gamma Hilde-Spiel-Gasse GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Lemböckgasse GmbH & Co KG	Wien	0.0	0.0
ERSTE Immobilien Gamma Seepark Campus West GmbH & Co KG	Wien	0.0	0.0
Erste Private Capital S.a r.l.	Senningerberg	0.0	91.1
Erste Private Capital S.C.A. SICAV-RAIF	Senningerberg	0.0	0.0
Finanzpartner GmbH	Wien	51.1	51.1
Flourish d.o.o Podgorica	Podgorica	0.0	3.5
Fortenova Group STAK Stichting	Amsterdam	0.3	0.3
Freizeitpark Zell GmbH	Zell	0.0	0.0
Freizeitzentrum Zillertal GmbH	Fügen	0.0	0.0
Fund of Excellence Förderungs GmbH	Wien	45.0	45.0
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.0	0.0
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs	0.0	0.0
Gasteiner Bergbahnen Aktiengesellschaft	Bad Hofgastein	13.4	13.4
GEMDAT OÖ GmbH	Linz	10.6	6.2
GEMDAT OÖ GmbH & Co KG	Linz	11.8	6.9
Gerlitz - Kanzelbahn - Touristik Gesellschaft m.b.H. & Co KG	Sattendorf	0.0	0.0
Gewerbe- und Dienstleistungspark der Stadtgemeinde Bad Radkersburg KG	Bad Radkersburg	12.5	12.5
Gladiator Aircraft Management Limited	Pieta	100.0	100.0
Golfclub Bludenz-Braz GmbH	Bludenz-Braz	0.0	0.0
Golfclub Brand GmbH	Brand	0.0	0.0
Golfclub Pfarrkirchen im Mühlviertel GesmbH	Pfarrkirchen	0.2	0.2
Golfplatz Hohe Salve - Brixental Errichtergesellschaft m.b.H. & Co KG	Westendorf	0.0	0.0
Golfresort Haugschlag GmbH & Co KG	Litschau	0.0	0.0
Großarler Bergbahnen Gesellschaft mit beschränkter Haftung & Co. KG.	Großarl	0.2	0.2
GW St. Pölten Integrative Betriebe GmbH	St. Pölten	0.0	0.0
GXT Vermögensverwaltung GmbH & Co KG	Wien	0.0	0.4
HAPIMAG AG	Baar	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 21	Dec 22
Harkin Limited	Dublin	100.0	100.0
Haus für Senioren 1 Fischamend Errichtungsgesellschaft m.b.H. & Co KG	Wien	0.0	0.0
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus	0.4	0.4
HDL Fiecht GmbH	Vomp	0.0	0.0
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.5	4.5
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.1	4.1
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.4	0.2
Hrvatski olimpijski centar Bjelolosa d.o.o. (Kroatisches Olympiazentrum) in bankruptcy	Jesenak	1.2	1.2
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.3	7.3
HV-Veranstaltungsservice GmbH	St. Lorenzen	100.0	100.0
IMMORENT S-Immobilienmanagement GesmbH	Wien	100.0	100.0
Immorent-Hackinger Grundverwertungsgesellschaft m.b.H. in Liqu.	Wien	11.3	11.3
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	4.1	4.1
JUGOALAT-JAL AD NOVI SAD	Novi Sad	5.0	5.0
Kaiser-Ebersdorfer Straße 8 GmbH & Co KG	Wien	0.0	0.0
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.0	0.0
Kapruner Promotion und Lift GmbH	Kaprun	6.5	6.5
K-Businesscom Banking Services GmbH	Wien	0.0	0.3
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.0	0.0
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Wien	100.0	100.0
KOOPERATIVA poistovna, a.s. Vienna Insurance Group	Bratislava	1.5	1.5
Kooperativa pojistovna, a.s. Vienna Insurance Group	Praha	1.6	1.6
'KULSKI ŠTOFOVI' FABRIKA ZA PROIZVODNJU VUNENIH TKANINA I PREDIVA AKCIONARSKO DRUŠTVO IZ KULE - U STECAJU	Kula	6.1	6.1
Kur- und Fremdenverkehrsbetriebe Bad Radkersburg Gesellschaft m.b.H.	Bad Radkersburg	0.3	0.3
ländleticket marketing gmbh	Dornbirn	0.0	0.0
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.0	0.0
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.0	0.0
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.0	0.0
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.1	1.1
LOCO 597 Investment GmbH	Egg	0.0	0.0
Macedonian Stock Exchange AD	Skopje	5.9	5.9
Maissauer Amethyst GmbH	Maissau	0.0	0.0
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA	Bacčka Palanka	5.2	5.2
Mayer Property Alpha d.o.o.	Zagreb	100.0	100.0
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.0	0.0
MCG Graz e.gen.	Graz	1.4	1.4
MEG Hausgemeinschaft "Bahnhofstraße 1, 4481 Asten"	Asten	0.0	0.0
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.0	0.0
Montfort Investment GmbH	Götzis	0.0	0.0
Mühlbachgasse 8 Immobilien GmbH	Langenlois	0.0	0.0
MUNDO FM & S GmbH	Wien	100.0	100.0
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.1	3.1
Nahwärme Frankenmarkt eGen	Frankenmarkt	0.0	0.0
Neo Investment B.V.	Amsterdam	0.0	0.0
Neuhofner Bauträger GmbH	Neuhofen	0.0	0.0
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	5.6	3.3
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen - Aktiengesellschaft	Neukirchen	0.0	0.0
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.0	0.0
ÖKO-Heizkraftwerk Pöllau GmbH	Pöllau	0.0	0.0
ÖKO-Heizkraftwerk Pöllau GmbH & Co KG	Pöllau	0.0	0.0
Old Byr Holding ehf.	Reykjavik	1.5	1.5
Omniasig Vienna Insurance Group SA	Bucharest	0.1	0.1
OÖ HightechFonds GmbH	Linz	7.8	4.6
Ortswärme Fügen GmbH	Fügen	0.0	0.0
Österreichische Wertpapierdaten Service GmbH	Wien	32.6	32.6
Osttiroler Wirtschaftspark GesmbH	Lienz	0.0	0.0
Planai - Hochwurz - Bahnen Gesellschaft m.b.H.	Schladming	0.7	0.7
Planung und Errichtung von Kleinkraftwerken GmbH	Wien	100.0	100.0
POSLOVNO UDRUŽENJE DAVAOKA LIZINGA "ALCS" BEOGRAD	Belgrade	8.3	8.3
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.6	2.6
Prvni certifikacni autorita, a.s.	Praha	23.3	23.3
Radio Osttirol GesmbH	Lienz	0.0	0.0
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.0	0.0
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.0	4.0
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.3	3.3
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.0	0.0
Rolling Stock Lease s.r.o.	Bratislava	3.0	3.0
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.0	25.0
S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.0	0.0
S IMMOKO Leasing GesmbH	Korneuburg	0.0	0.0
S Servis, s.r.o.	Znojmo	100.0	100.0
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.0	50.0

Company name, registered office		Interest of Erste Group in %	
		Dec 21	Dec 22
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung in Liquidation	Salzburg	2.0	2.0
S-AMC1 DOOEL Skopje	Skopje	23.9	24.1
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.0	0.0
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-COMMERZ Immobilienvermittlung GmbH	Neunkirchen	0.0	0.0
SEG Sport Event GmbH	Hohenems	0.0	0.0
Seniorenresidenz "Am Steinberg" GmbH	Graz	25.0	25.0
S-Finanzservice Gesellschaft m.b.H.	Baden	0.0	0.0
SILO DREI Komplementärgesellschaft m.b.H.	Wien	49.0	49.0
SILO II Komplementärgesellschaft m.b.H.	Wien	49.0	49.0
SILO II LBG 57 – 59 Liegenschaftsverwertung GmbH & Co KG	Podgorica	49.0	0.0
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.0	0.0
SK 2 Properties s.r.o.	Bratislava	0.0	0.0
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co, KG	Unken	0.0	0.0
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.2	2.2
Smart City GmbH	Eferding	0.0	0.0
SOCIETATEA DE TRANSFER DE FONDURI SI DECONTARI TRANSFOND SA	Bucharest	3.2	3.2
Society for Worldwide Interbank Financial Telecommunication scrI	La Hulpe	0.3	0.3
Sparkasse Amstetten Service- und Verwaltungsgesellschaft m. b. H.	Amstetten	0.0	0.0
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Bludenz Immobilienverwaltungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.0	0.0
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.0	0.0
Sparkassen Beteiligungs GmbH & Co KG	Wien	7.8	3.5
Sparkassen Facility Management GmbH	Innsbruck	75.0	75.0
Speedinvest III EuVECA GmbH & Co KG	Wien	2.5	1.8
SPES GmbH & Co. KG	Schlierbach	0.0	0.0
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.0	0.0
SPKR Liegenschaftsverwertungs GmbH	Reutte	0.0	0.0
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	12.9	6.3
SPRON ehf.	Reykjavik	4.9	4.9
Stadtgemeinde Weiz - Wirtschaftsentwicklungs KG	Weiz	0.0	0.0
Stadtmarketing-Ternitz GmbH	Ternitz	0.0	0.0
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.2	7.2
Stoderzinken - Liftgesellschaft m.b.H. & Co. KG.	Gröbming	0.4	0.4
SVB Lambach Versicherungsmakler GmbH	Lambach	0.0	0.0
SWAB Poststraße GmbH & Co KG	Bregenz	0.0	0.0
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	100.0	100.0
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.0	0.0
Tauern SPA World Betriebs- GmbH & Co KG	Kaprun	11.1	11.1
Tauern SPA World Betriebs-GmbH	Kaprun	12.2	12.2
Tauern SPA World Errichtungs- GmbH & Co KG	Kaprun	11.1	11.1
Tauern SPA World Errichtungs-GmbH	Kaprun	12.2	12.2
TAUROS Capital Investment GmbH & Co KG	Wien	40.4	40.4
TAUROS Capital Management GmbH	Wien	44.6	44.6
TDG Techn. Dienstleistungs- und Objektservicegesellschaft m.b.H.	Wien	100.0	100.0
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Wien	0.1	0.1
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.0	0.0
TECHNOLOGIE- und GRÜNDERPARK ROSENAL GmbH	Rosental	0.3	0.3
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.0	0.0
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.0	0.0
Technologiezentrum Salzkammergut GmbH	Gmunden	0.6	0.3
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH	Attnang-Puchheim	0.0	0.0
Techno-Z Ried Technologiezentrum GmbH	Ried	0.0	0.0
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen	7.3	7.3
Therme Wien Ges.m.b.H.	Wien	15.3	15.3
Therme Wien GmbH & Co KG	Wien	15.3	15.3
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.0	0.0
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.0	0.0
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.0	0.0
Tourismusgenossenschaft Ramsau am Dachstein eGen	Ramsau am Dachstein	0.4	0.5
TSG EDV-Terminal-Service Ges.m.b.H.	Wien	0.1	0.1
UNION Vienna Insurance Group Biztosito Zrt.	Budapest	1.2	1.2
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Wien	25.6	25.6
VISA INC.	San Francisco	0.0	0.0
VIVEA Bad Schönau GmbH	Bad Schönau	0.0	0.0
VIVIThv GmbH	St. Pölten	20.0	20.0
VIVITimmo GmbH	St. Pölten	20.0	20.0
VMG Versicherungsmakler GmbH	Wien	5.0	5.0
Waldviertler Leasing s.r.o.	Jindrichuv Hradec	0.0	0.0
Wassergenossenschaft Mayrhofen	Mayrhofen	0.0	0.0

Company name, registered office		Interest of Erste Group in %	
		Dec 21	Dec 22
WBC Sparkasse Korneuburg GmbH	Korneuburg	0.0	0.0
WE.TRADE INNOVATION DESIGNATED ACTIVITY COMPANY	Dublin	3.2	3.2
Web Value GmbH	Wien	0.0	0.0
WEB Windenergie AG	Pfaffenschlag	0.0	0.0
Weißsee-Gletscherwelt GmbH	Uttendorf	0.0	0.0
WET Wohnbaugruppe Service GmbH	Mödling	19.9	19.9
wflow.com Czech Republic s.r.o.	Praha	0.0	17.0
WG PROJEKTIRANJE, investiranje in inženiring d.o.o.	Ljubljana	100.0	100.0
Wien 3420 Aspern Development AG	Wien	24.5	24.5
Wiener Börse AG	Wien	11.8	11.7
Wiener osiguranje Vienna Insurance Group dionicko društvo za osiguranje	Zagreb	1.1	1.1
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group	Wien	2.2	2.2
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.0	0.0
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	1.3	1.3
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.0	0.0
WW Wohnpark Wehlistraße GmbH	Wien	100.0	100.0
Zagreb Stock Exchange, Inc.	Zagreb	2.3	2.3
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.0	0.0

Additional information

GLOSSARY

Book value per share

Equity (attributable to owners of the parent) divided by the number of outstanding shares at the end of the period.

Cash return on equity (cash RoE)

Net profit for the period attributable to the owners of the parent less dividends for Additional Tier 1 capital (AT1), adjusted for non-cash items such as goodwill amortisation and amortisation of customer relationship as a percentage of the average equity attributable to the owners of the parent. The average is calculated on the basis of final quarterly values.

Cash earnings per share

Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1), adjusted for non-cash items such as goodwill impairment and amortisation of customer relationship divided by the weighted average number of outstanding shares.

CEE (Central and Eastern Europe)

Abbreviation for the economic area Central and Eastern Europe. Includes the new EU member states of the enlargement rounds 2004 and 2007 as well as the successor states of Yugoslavia and the Soviet Union as well as Albania.

CET1

Common equity Tier 1.

CET1 ratio

Common equity Tier 1 as a percentage of the total risk (according to CRR).

CRR

Capital Requirements Regulation: one of the two legal acts containing the new Capital Requirements.

Cost/income ratio

General administrative expenses or operating expenses as a percentage of operating income.

Dividend yield

Dividend distribution of the financial year as a percentage of the year-end closing price or the most recent price of the share.

Earnings per share

Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1), divided by the weighted average number of outstanding shares.

Interest-bearing assets

Total assets less cash and cash balances, derivatives – held for trading, hedge accounting derivatives, property and equipment, investment properties, intangible assets, current and deferred tax assets, assets held for sale and other assets.

Loan to deposit ratio

Loans and receivables to customers (net) in relation to deposits from customers.

Miscellaneous assets

The total of hedge accounting derivatives, property and equipment, investment properties, investments in associates and joint ventures associates, current and deferred tax assets, assets held for sale and other assets.

Miscellaneous liabilities

The total of other financial liabilities at fair value through profit or loss, other financial liabilities at amortised cost, hedge accounting derivatives, changes in fair value of portfolio hedged items, provisions, current and deferred tax liabilities, liabilities associated with assets held for sale and other liabilities.

Net interest margin

Net interest income as a percentage of average interest-bearing assets. The average is calculated on the basis of quarterly values.

Operating expenses (general administrative expenses)

The total of personnel expenses, other administrative expenses and depreciation and amortisation.

Operating income

Total of net interest income, net fee and commission income, dividend income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments and rental income from investment properties & other operating leases.

Operating result

Operating income less operating expenses.

Own funds

Own funds according to CRR consist of Common equity Tier 1 (CET1), Additional Tier 1 capital (AT1) and the supplementary capital (T2).

Price/earnings ratio

Ratio between closing price of the financial year and earnings per share of the financial year.

Market capitalisation

Total value of a company which results from multiplying the share price by the number of shares outstanding (share capital).

Non-performing exposure (NPE) collateralisation ratio

Collateral for non-performing credit risk exposure as a percentage of non-performing credit risk exposure.

Non-performing exposure (NPE) coverage ratio

Credit risk allowances for credit risk exposure (all allowances in scope of IFRS 9 and provisions for other commitments) as a percentage of non-performing credit risk exposure.

Non-performing exposure (NPE) ratio

Non-performing credit risk exposure as a percentage of total credit risk exposure.

Non-performing loans (NPL) collateralisation ratio

Collateral for non-performing loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) coverage ratio

Credit risk allowances for loans and advances to customers as a percentage of non-performing loans and advances to customers.

Non-performing loans (NPL) ratio

Non-performing loans and advances to customers as a percentage of total loans and advances to customers.

Return on equity (RoE)

Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1) as a percentage of the average equity attributable to the owners of the parent. The average is calculated on the basis of final quarterly figures.

Return on equity excluding intangible assets (ROTE)

Net profit for the period attributable to owners of the parent, less dividends for Additional Tier 1 capital (AT1) as a percentage of average equity attributable to owners of the parent and adjusted for intangible assets. The average is calculated on the basis of quarterly final values.

Risk Appetite Statement (RAS)

The RAS is a strategic document, which concludes the maximum risk an organization is willing to take in order to reach any given target.

Risk categories

Risk categories classify the risk exposures of Erste Group based on the internal ratings of Erste Group. There exist three risk categories for performing risk exposures and one risk category for non-performing risk exposures.

Risk category – low risk

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

Risk category – management attention

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

Risk category – substandard

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

Risk category – non-performing

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

Share capital

Total equity attributable to owners of the parent subscribed by the shareholders.

Tax ratio

Taxes on income as a percentage of pre-tax profit from continuing operations.

Texas ratio

Total capital according to IFRS dividends for Additional Tier 1 capital (AT1), and intangible assets plus allowances for loans and advances to customers as a percentage of non-performing loans.

T 1 ratio

Tier 1 as a percentage of the total risk (according to CRR).

Total capital ratio

Total of own funds as a percentage of the total risk (according to CRR).

Total risk (risk-weighted assets, RWA)

Includes credit, market and operational risk (according to CRR).

Total shareholder return

Performance of an investment in Erste Group Bank AG shares within one year including all distributions, such as dividends, as a percentage of the share price at the end of the previous year.

ABBREVIATIONS

ABA	Austrian Banking Act
AC	Amortised cost
ALCO	Asset Liability Committee
ALM	Asset Liability Management
AMA	Advanced Measurement Approach
AT1	Additional Tier 1
BCR	Banca Comercială Română S.A.
CEE	Central and Eastern Europe
CET1	Common Equity Tier 1
CGU	Cash-Generating Unit
CLA	Credit Loss Allowance
CMO	Collateralised Mortgage Obligation
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSAS	Česká spořitelna, a.s.
CVA	Credit Value Adjustments
DFR	Deposit Facility Rate
DTA	Deferred Tax Asset
DVA	Debit Value Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
EBC	Erste Bank Croatia
EBH	Erste Bank Hungary Zrt.
EBOe	Erste Bank Oesterreich
ECB	European Central Bank
ECL	Expected Credit Loss
EIR	Effective interest rate
eop	end of period
ERM	Enterprise wide Risk Management
ESG	Environmental Social Governance
ESMA	European Security and Markets Authority
FLI	Forward Looking Information
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross Carrying Amount
GCC	Group Corporate Markets
HFT	Held for trading
IAS	International Accounting Standards
IC	Intercompany
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
LCC	Local Corporate Center
LGD	Loss Given Default
LT PD	Lifetime Probability of Default
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NCI	Non Controlling Interest
NFR	Non Financial Risk
NPE	Non Performing Exposure
NPL	Non Performing Loans
OCI	Other comprehensive income
O-SII	Other Systemic Important Institution
OTC	Over the Counter
P&L	Profit or loss
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
PD	Probability of Default
POCI	Purchased or originated credit impaired
PSU	Performance Share Unit
RAS	Risk Appetite Statement
RWA	Risk Weighted Assets
SICR	Significant increase in credit risk
SLSP	Slovenská sporiteľňa
Sparkasse Kärnten	Kärntner Sparkasse Aktiengesellschaft
Sparkasse Oberösterreich	Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft
Sparkasse Steiermark	Steiermärkische Bank und Sparkassen Aktiengesellschaft
SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
T1	Tier 1
T2	Tier 2
TLTRO	Target Longer-Term Refinancing Operations
UGB	Unternehmensgesetzbuch; Austrian Company Code
VAR	Value at Risk

Management Board	
Willibald Cernko mp, Chairman	Ingo Bleier mp, Member
Stefan Dörfler mp, Member	Alexandra Habeler-Drabek mp, Member
David O'Mahony mp, Member	Maurizio Poletto mp, Member

Vienna, 28 February 2023

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

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

Management Board	
Willibald Cernko mp, Chairman	Ingo Bleier mp, Member
Stefan Dörfler mp, Member	Alexandra Habeler-Drabek mp, Member
David O'Mahony mp, Member	Maurizio Poletto mp, Member

Vienna, 28 February 2023