Erste Group Bank AG

Financial Statements 2022

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I. Balance Sheet of Erste Group Bank AG as of 31 December 2022

in EUR or in EUR thousand	Dec 22	Dec 21
Assets		
1. Cash in hand, balances with central banks	**16,992,966,763.64**	**18,859,482**
2. Treasury bills and other bills eligible for refinancing with central banks	**6,317,150,081.10**	**5,405,455**
a) treasury bills and similar securities	6,317,150,081.10	5,405,455
b) other bills eligible for refinancing with central banks	0.00	0
3. Loans and advances to credit institutions	**27,162,034,332.32**	**22,928,850**
a) repayable on demand	2,835,433,087.49	1,250,790
b) other loans and advances	24,326,601,244.83	21,678,060
4. Loans and advances to customers	**23,145,479,142.13**	**19,075,169**
5. Debt securities and other fixed-income securities	**9,065,584,083.18**	**4,810,130**
a) issued by public bodies	1,507,443,346.11	750,281
b) issued by other borrowers	7,558,140,737.07	4,059,848
of which: own debt securities	4,049,825,159.81	1,587,532
6. Shares and other variable-yield securities	**1,298,073,669.84**	**1,185,302**
7. Participating interests	**112,043,128.08**	**130,696**
of which: in credit institutions	30,511,590.50	49,336
8. Shares in affiliated companies	**8,322,655,065.48**	**8,454,525**
of which: in credit institutions	7,568,546,630.47	7,681,807
9. Intangible fixed assets	**23,420,887.95**	**22,612**
10. Tangible fixed assets	**174,193,095.90**	**141,214**
of which: land and buildings used by the credit institution for its own business operations	3,575,088.00	4,193
11. Shares in a controlling company	**0.00**	**0**
of which: par value	0.00	0
12. Other assets	**4,320,352,130.93**	**3,267,535**
13. Subscribed capital called but not paid	**0.00**	**0**
14. Prepayments and accrued income	**104,752,709.70**	**107,116**
15. Deferred tax assets	**281,177,067.03**	**238,463**
Total assets	**97,319,882,157.28**	**84,626,549**
Off-balance sheet items		
1. Foreign assets	**53,716,205,152.44**	**45,732,039**

in EUR or in EUR thousand	Dec 22	Dec 21
Liabilities and equity		
1. Liabilities to credit institutions	**38,149,231,804.67**	**35,907,602**
a) repayable on demand	5,531,787,199.98	5,281,583
b) with agreed maturity dates or periods of notice	32,617,444,604.69	30,626,019
2. Liabilities to customers (non-banks)	**10,936,770,977.93**	**7,806,405**
a) savings deposits	0.00	0
aa) repayable on demand	0.00	0
bb) with agreed maturity dates or periods of notice	0.00	0
b) other liabilities	10,936,770,977.93	7,806,405
aa) repayable on demand	4,270,164,109.51	4,897,317
bb) with agreed maturity dates or periods of notice	6,666,606,868.42	2,909,088
3. Securitised liabilities	**26,480,945,348.15**	**20,197,388**
a) debt securities issued	25,286,096,956.38	18,935,466
b) other securitised liabilities	1,194,848,391.77	1,261,922
4. Other liabilities	**4,410,028,054.91**	**3,584,143**
5. Accruals and deferred income	**238,882,747.99**	**230,373**
6. Provisions	**497,656,270.58**	**581,014**
a) provisions for severance payments	0.00	0
b) provisions for pensions	244,579,060.09	288,400
c) provisions for taxes	33,223,576.31	65,810
d) other	219,853,634.18	226,805
6a. Special fund for general banking risks	**0.00**	**0**
7. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	**4,079,018,914.32**	**4,692,446**
8. Additional Tier 1 capital pursuant to Part 2 Title I Chapter 3 of Regulation (EU) No 575/2013	**2,272,788,135.50**	**2,272,771**
of which: Compulsory convertible bonds pursuant to § 26 Austrian Banking Act (BWG)	0.00	0
8b Instruments without a vote pursuant to § 26a Austrian Banking Act (BWG)	**0.00**	**0**
9. Subscribed capital	**859,600,000.00**	**859,600**
10. Capital reserves	**1,628,111,165.08**	**1,628,111**
a) committed	1,628,111,165.08	1,628,111
b) uncommitted	0.00	0
10a. Reserves for share-based payments	**4,956,005.47**	**3,196**
11. Retained earnings	**6,093,973,645.22**	**5,324,521**
a) statutory reserve	1,537,900,000.00	1,537,900
b) reserves provided for by the articles	0.00	0
c) other reserves	4,205,355,284.17	3,485,741
d) other restricted reserves	350,718,361.05	300,880
12. Reserve pursuant to section 57 (5) of Austrian Banking Act (BWG)	**851,000,000.00**	**851,000**
13. Net profit or loss for the year	**816,620,000.00**	**687,680**
14. Investment grants	**299,087.46**	**299**
Total Liabilities and equity	**97,319,882,157.28**	**84,626,549**
Off-balance sheet items		
1. Contingent liabilities of which	**5,442,226,544.14**	**4,455,783**
a) acceptances and endorsements	0.00	0
b) guarantees and assets pledged as collateral security	5,052,020,813.26	4,116,054
c) credit derivatives	390,205,730.88	339,729
2. Commitments	**14,104,101,661.47**	**11,676,641**
of which: commitments arising from repurchase agreements	0.00	0
3. Liabilities arising out of fiduciary activities	**157,366.35**	**175**
4. Own funds pursuant to Part 2 of Regulation (EU) No 575/2013	**13,980,554,106.14**	**13,552,266**
of which: Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	2,806,729,248.68	3,106,481
5. Own funds requirements pursuant to Art 92 of Regulation (EU) No 575/2013 of which: capital required pursuant to Art 92 (1) of Regulation (EU) No 575/2013	**39,431,425,899.45**	**34,553,589**
a) Common Equity Tier 1 capital ratio	22.67%	23.66%
b) Tier 1 capital ratio	28.34%	30.23%
c) Total capital ratio	35.46%	39.22%
6. Foreign liabilities	**15,467,340,752.52**	**10,205,774**

II. Income Statement of Erste Group Bank AG for the year ended 31 December 2022

in EUR or in EUR thousand	1-12 22	1-12 21
1. Interest and similar income	4,928,069,137.64	2,044,309
of which: from fixed-income securities	411,700,858.16	205,615
2. Interest and similar expenses	-4,445,326,135.58	-1,758,348
I. NET INTEREST INCOME	**482,743,002.06**	**285,960**
3. Income from securities and participating interests	1,877,997,559.07	703,511
a) income from shares, other ownership interests and variable-yield securities	53,339,992.04	63,145
b) income from participating interests	6,976,043.52	7,632
c) income from shares in affiliated companies	1,817,681,523.51	632,733
4. Commissions income	204,731,074.34	194,183
5. Commissions expenses	-144,176,410.17	-138,302
6. Net profit or loss on financial operations	-112,730,322.58	14,165
7. Other operating income	133,401,283.00	89,919
II. OPERATING INCOME	**2,441,966,185.72**	**1,149,435**
8. General administrative expenses	-545,268,202.58	-536,126
a) staff costs	-264,305,776.76	-266,965
aa) wages and salaries	-205,609,044.00	-215,483
bb) expenses for statutory social security contributions and compulsory contributions related to wages and salaries	-42,570,751.12	-43,554
cc) other social expenses	-2,243,609.55	-1,903
dd) expenses for pensions and assistance	-9,948,762.73	-6,560
ee) release / allocation to the provision of pensions	0.00	3,547
ff) expenses for severance payments and contributions to severance and retirement funds	-3,933,609.36	-3,011
b) other administrative expenses	-280,962,425.82	-269,161
9. Value adjustments in respect of assets items 9 and 10	-8,693,348.09	-10,421
10. Other operating expenses	-78,396,031.17	-31,755
III. OPERATING EXPENSES	**-632,357,581.84**	**-578,302**
IV. OPERATING RESULT	**1,809,608,603.88**	**571,134**
11./12. Income/expenses from value adjustments of loans and advances as well as individual provisions for liabilities and credit risks	-72,217,652.85	821
13./14. Income/expenses from value adjustments of transferable securities held as financial fixed assets, participating interests and shares in affiliated companies	-274,413,563.77	994,122
V. PROFIT ON ORDINARY ACTIVITIES	**1,462,977,387.26**	**1,566,077**
15. Extraordinary income	4,825,116.60	15,577
of which: withdrawals from the special fund for general banking risks	0.00	0
16. Extraordinary expenses	0.00	0
of which: allocation to the special fund for general banking risks	0.00	0
17. Extraordinary result (sub-total of items 15 and 16)	4,825,116.60	15,577
18. Tax on profit or loss	145,686,880.67	202,068
19. Other taxes not reported under item 18	-22,316,027.83	-1,400
VI. PROFIT FOR THE YEAR AFTER TAX	**1,591,173,356.70**	**1,782,322**
20. Changes in reserves	-774,553,356.70	-1,094,642
of which: allocation to liability reserve pursuant to section 23 -6 of the Austrian Banking Act (BWG)	0.00	0
of which: reversal of liability reserve pursuant to section 23 -6 of the Austrian Banking Act (BWG)	0.00	0
VII. PROFIT FOR THE YEAR AFTER DISTRIBUTION ON CAPITAL	**816,620,000.00**	**687,680**
21. Profit brought forward from previous year	0.00	0
22. Profit transferred on the basis of profit transfer agreement	0.00	0
VIII. PROFIT FOR THE YEAR	**816,620,000.00**	**687,680**

III. Notes to the Financial Statements 2022

A. GENERAL INFORMATION

Erste Group Bank AG is listed on the Vienna Stock Exchange. It is also quoted on the Prague Stock Exchange and on the Bucharest Stock Exchange. Erste Group Bank AG is registered in the company register at the Commercial Court of Vienna under FN 33209m. The address of its registered office is: Am Belvedere 1, 1100 Vienna, Austria.

The 2022 financial statements of Erste Group Bank AG have been prepared in accordance with the regulations of the Commercial Code (Unternehmensgesetzbuch, UGB) and in conjunction with the applicable provisions of the Austrian Banking Act (Bankwesengesetz, BWG).

Pursuant to section 59a Austrian Banking Act (BWG), Erste Group Bank AG has prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) on the same balance sheet date. The Erste Group consolidated financial statements have been filed with the commercial register at the Commercial Court of Vienna.

Erste Group Bank AG forms together with the Austrian savings banks a cross-guarantee scheme (Haftungsverbund) in accordance with article 4 (1) Z 127 CRR as well as an institutional protection scheme (IPS) approved by the supervisory authority pursuant to article 113(7) CRR, whereby the contributions of the members, in case of the triggered event, are subject to an individual and general cap. The applicable amounts are determined by the cross-guarantee steering company that notifies the contributing members.

The contributions of the IPS members in the IPS ex-ante fund, that is set up for support measures, are recognised in the balance sheet as a participating interest in IPS GesbR, which manages this ex-ante fund, and are accounted for as retained earnings. Due to the contractual terms, these retained earnings represent a blocked reserve. This reserve can be utilised only in case of a claim by ex-ante fund and therefore cannot be used internally to cover losses. It qualifies as capital according to the CRR only on a consolidated level, but not on the single entity level. Further explanations can be found in chapter C 24 Resolution Fund, deposit guarantee fund, IPS fund.

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

Ongoing legal cases

Erste Group Bank AG is party to lawsuits that mostly relate to ordinary banking business. The outcome of these proceedings is not expected to have a significant negative impact on the financial position and profitability of Erste Group Bank AG. Erste Group Bank AG is currently involved in the following legal case:

Lawsuit filed by minority shareholders in Česká Spořitelna a.s.:
Following the completion of a squeeze-out procedure in Česká Spořitelna a.s. resulting in Erste Group Bank AG becoming the sole shareholder of Česká Spořitelna a.s., some former minority shareholders of Česká Spořitelna a.s. filed a lawsuit with the courts in Prague. Proceedings against Česká Spořitelna a.s regarding the annulment of the squeezeout resolution of the general assembly of Česká Spořitelna a.s. was legally decided in favor of Česká Spořitelna a.s. in summer 2022. In the proceedings against Erste Group Bank AG, the plaintiffs allege in essence that the share price of CZK 1,328.00 (at that time around EUR 51.00) paid by Erste Group Bank AG in the squeeze-out procedure was unfair and too low and should be increased. If the courts were to decide there ought to be an increase, this would affect all minority shareholders squeezed out. In the squeeze-out performed in 2018, Erste Group Bank AG acquired 1.03% of minority shares for a total amount of EUR 80,327,547.67. Erste Group Bank AG considers the purchase price determined by an external valuation expert as correct and fair.

Disclosure

Erste Group Bank fulfills the publishing disclosure requirements according to Part 8 of the regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation – CRR) published on the Internet. Details are available on the website of Erste Group at www.erstegroup.com/ir. The consolidated capital as well as consolidated capital requirements are published in Erste Group's consolidated financial statements. Further disclosures can be found in the Erste Group annual report in the section 'reports' or they are published as separate documents in the section 'regulatory disclosure'.

Large enterprise according to section 221 Commercial Code (UGB)

Pursuant to section 221 (3) Commercial Code (UGB) in connection with section 189a Commercial Code (UGB), Erste Group Bank AG is the subject to the legal regulations for large companies for the financial year ending 31 December 2022.

B. NOTES ON ACCOUNTING AND MEASUREMENT METHODS

Generally accepted accounting principles

The financial statements were prepared in accordance with the generally accepted accounting principles and according to the standard principle that the financial statements should provide a fair and accurate view of the company's financial position, income and expenses. In the preparation of the financial statements, the principle of completeness was applied. The principle of individual measurement was applied in assessing the company’s assets and liabilities, and the assumption was that the company would continue to operate (going concern). In applying the principle of prudence, the particularities of the banking business were considered.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currencies were measured at the ECB reference rates applicable at the balance sheet date. The currencies for which ECB did not publish a reference rate were recognised at the mid-rate published by Erste Group Bank AG applicable at the balance sheet date. Foreign exchange forward transactions and foreign exchange swaps were priced at the forward exchange rate.

Participating interests and shares in affiliated companies

The valuation approach for participating interests and shares in affiliated companies is the modified lower of cost or market principle.

The fair value is determined based on expert assessments of the corporate value and recent transactions or market values. In general, the value is determined using a discounted cash-flow model (DCF model), which incorporates the specifics of the banking business and its regulatory environment. For this purpose, Erste Group Bank AG performs an annual impairment test at the balance sheet date, although an impairment test is also carried out during the year if evidence exists that might indicate depreciation. Methodologically, this is carried out following International Accounting Standards (IAS) 36.

The estimation of future earnings distributable to shareholders is based on financial plans (budgets) as agreed by the management of the subsidiaries while considering the fulfillment of the respective regulatory capital requirements. The corporate value determination is based on different budget scenarios to reflect the uncertainty about the future macroeconomic development and the development of the risk costs. The base scenario uses the approved budgets. The downside scenario takes a more conservative view of the macroeconomic data. The scenarios are weighted with their expected probability of occurrence.

Any forecast beyond the planning period is derived based on the last year of the planning period and a long-term growth rate (perpetual annuity). If the implicit return on equity is higher than the equity capital costs at the end of the planning period, the return on equity for the perpetuities is aligned with the equity capital costs. The present value of perpetual earnings growing at a stable rate (referred to as terminal value) takes macroeconomic parameters estimates and economically sustainable cash flows into consideration.

The interest rate used for calculation was determined based on the CAPM (Capital Asset Pricing Model). Key input factors include:

- A risk-free interest rate (Source: Svensson yield curve method for 30-year German government bonds)
- Market risk premium
- Beta factor
- Weighted country risk premium (Source: Damodaran).

Dividend earnings from participating interests and shares in affiliated companies are reported according to the resolution on dividend pay-outs and shown in the profit and loss category 3 Income from securities and participating interests.

Loans and advances to credit institutions and customers

Credit loans and advances to credit institutions and customers were measured in accordance with the provisions set out in the provision paper by the AFRAC (Austrian Financial Reporting and Auditing Committee) of 14 June 2021 using the effective interest rate method. Default risks, which were recognised at the balance sheet date, were covered by loan loss provisions. Write-ups from the release of loan loss provisions were carried out. Methodologically, the calculation of loan loss provisions is conducted using the IFRS 9 impairment models set out in the Commercial Code (UGB).

Securities

Securities are valued according to their classification either as trading assets, current assets, fixed assets, or receivables and similar financial instruments (Forderungen und forderungsähnliche Finanzinstrumente (FFI)). FFI are debt instruments which are intended to be kept until their maturity and for which the value is not potentially affected by risk and income structures that differ significantly from the instrument's default risks.

- trading assets at market value, even above the acquisition cost
- current assets at amortised cost or at the market price if lower. If the market price cannot be determined, they are valued according to the acquisition cost or fair value if lower. Repurchased own listed bonds (retained covered bonds) are valued at the redemption amount.
- securities, which are FFI, are valued at amortised cost less impairment for default risks. Only securities held as fixed assets are FFI.
- debt instruments held as fixed assets, that are not FFI, are written down to the lower fair value when the permanent impairment can be presumed („ the moderated lower of cost or market principle "). Other securities held as fixed assets are valued at the lower of amortized cost or fair value („ the strict lower of cost or market principle "). Securities in the asset class 6 are valued according to the strict lower of cost or market principle without exception.

The allocation of securities to trading assets, current assets or fixed assets and the determination of the intention to hold them until maturity is done in accordance with the organisational policies adopted by the management board. The fair value is the price that can be achieved by selling or buying a financial instrument in an active market. Market prices are used for the assets' valuation where available. The valuation methods, especially the present value method, are used for assets without market prices.

Amortized cost and Effective Interest Rate Method

The amortised cost of financial assets is the amount at which the asset is measured at the initial recognition minus redemptions, plus or minus the cumulated amortisation between the original amount and the amount redeemable at maturity using the effective interest rate method. In the lending business, fees, and commission similar in nature to interest as well as changes in estimates are amortised on a pro rata basis using the effective interest method.

The effective interest rate is the interest rate that discounts the estimated future cash flows over the expected life of the asset or liability to the amortized cost. The estimated cash flows take into consideration all contract conditions. The expected credit losses, however, are not considered. Furthermore, the calculation includes transaction costs and handling fees, if these are distributable, as well as all other premiums or discounts.

Pursuant to section 56 (2) and (3) Austrian Banking Act (BWG) in connection with section 198 (7) Commercial Code (UGB), the difference between acquisition cost and redemption amount for fixed-income securities with the characteristics of the financial investments as well as for securitised liabilities is amortised on a pro rata basis. The distribution of the difference takes place in line with AFRAC statement 14 "Accounting of non-derivative financial instruments" according to the effective interest rate method either until the call date, or until the redemption date.

Lending business

Interest-related fees and commissions, as well as changes in estimates in the lending business, are amortized on a pro rata basis using the effective interest method.

Should the nominal interest rate change during the life of a variable interest rate loan and this change is not due to contractual modification, the changes to the contractual future cash flows are taken into consideration by recalculating the effective interest rate. Any caps and floors agreed on the nominal interest rate are also considered.

If the expected contractual future cash flows of a loan change during the contract term and the change is neither due to contractual modification nor to an adjustment to the nominal interest rate, nor to a deterioration in creditworthiness, the amortised cost of the asset is adjusted by a changed estimate. This changed estimate corresponds to the difference between the amortised cost before the change in the expected cash flows and the present value of the newly expected contractual cash flows discounted by the original effective interest rate. The changed estimate is reflected in the interest income in the profit and loss statement.

Market-based adjustments to interest conditions, which fulfil specific conditions, are considered by recalculating the effective interest rate. Such changes to the interest conditions usually concern loans, which have no forbearance status and for which there is a prepayment option and a sufficiently competitive refinancing market. Moreover, the costs, which are incurred by the debtor in the case of prepayment or early termination, must be low.

Handling of contractual modifications

A contractual modification occurs if a contract is modified in a way that was not specified in the contract. Contractual modifications are mainly made in the lending business. These contractual modifications are split into significant and non-significant modifications, depending on qualitative and quantitative aspects.

A contractual modification is significant if, following qualitative and quantitative assessment, there is a significant change which adjusts the asset's economic substance significantly. A contractual modification can be classified as significant for performing loans if it leads to a borrower change, a currency conversion (if this was not stipulated in the contract), certain changes to the interest clause, a change in present value, or a change to the weighted residual maturity of a certain magnitude. Significant contractual modifications lead to the derecognition of the original financial asset and to the initial recognition of a new financial asset in accordance with the contractual modifications. If the debtor has defaulted or the significant contractual modification leads to a default, the new asset is treated as a defaulted asset. The difference between the carrying value of the derecognised asset and the fair value of the new asset is initially recognised in profit and loss category 11 or 12.

If the debtor has not defaulted and the significant contractual modification does not lead to default, the new asset is classified in stage 1 following the derecognition of the original asset. Stage 1 includes financial assets at initial recognition (provided they are not already impaired at the time of acquisition) and financial assets that, regardless of their credit rating, have not shown a significant increase in credit risk since initial recognition. The non-amortised amount of handling fees/transaction costs, which were reflected in the effective interest rate, is booked at the time of derecognition in the interest result. The reversal of impairments, which were recorded for the original asset until the contract has been significantly modified, as well as the booking of impairments for the new asset are shown in profit and loss category 11 or 12. The remaining difference between the old book value following the release of the amortized handling fees and transaction costs and the fair value of the new asset is shown in other operating income or expenses (profit and loss category 7 or 10).

A contractual adjustment is non-significant if, following qualitative and quantitative assessment, there is no significant change and the asset's economic substance is only insignificantly adjusted. Non-significant contractual modifications are accounted for according to general corporate law principles.

Impairment for credit risks

Impairments for default risks are recognised for receivables and similar financial instruments. Impairments for default risks are particularly recognised for credit claims, certain securities held as fixed assets, and off-balance sheet credit risks from financial guarantees and certain loan commitments.

For credit claims, the book value of the asset recorded in the balance sheet corresponds to the difference between the amortised cost and the cumulated impairment. Impairment for loan commitments and financial guarantees are reported in the balance sheet item "Other provisions". In the profit and loss statement, impairment losses and income are recorded in profit and loss category 11/12 or 13/14 for all assets in accordance with section 53 Austrian Banking Act (BWG).

The calculation of impairment is carried out by using the IFRS 9 model in the Commercial Code (UGB) in accordance with AFRAC statement 14 (June 2021). The impairment model is based on expected credit loss and considers the "statistically determined empirical values from similar facts and circumstances" in Section 201 (2) Z 7 Commercial Code (UGB), which are also necessary for the valuation of expected credit loss in the Commercial Code (UGB).
Expected credit loss (ECL) reflects the following:

- an unbiased probability-weighted amount, which is determined by a series of possible scenarios,
- the time value of money, and
- plausible and comprehensible information about past events and current conditions, as well as prognoses about future economic developments.

Three stage model

An impairment model based upon a three-stage approach is used for the calculation of the risk provisions:

- Stage 1 includes financial assets at initial recognition (provided they are not already impaired at the time of acquisition) and financial assets that, regardless of their credit rating, have not shown a significant increase in credit risk since initial recognition.
- Stage 2 includes financial assets which have shown a significant increase in credit risk since initial recognition, however for which there is not yet any impairment at the time of report. Stage 2 also includes non-impaired assets, which credit risk could not be assessed at the time of acquisition due to missing data in the framework of the IFRS 9 transition. There exist specific rules for the classification of

initial utilisation of the approved credit lines. Dependent on the development of credit risk between approval and initial utilisation, the loan is classified at stage 1 or stage 2.
- Stage 3 includes financial assets that are impaired on the reporting date. A financial asset is principally impaired if the customer defaults.

Across the Erste Group, the definition used for loan default is based on European Banking Authority requirements in EBA/GL/2016/07 "Guidelines on the application of the definition of default under Article 178 of Regulation (EU) number 575/2013" and "Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due." The definition lays out the rules for "default contagion" in groups of connected customers and establishes the concept of technical overdue. When applying the definition of default, Erste Group generally takes an overall customer view, which leads to an impairment of all receivables, even if the default occurs in only one of several transactions (pulling effect). On the other hand, an upgrade from the default status results in the loss of the impaired creditworthiness for all risk positions.

In stage 1 risk provisions are calculated based on the expected credit losses over 12 months. In stages 2 and 3 risk provisions are calculated based on the lifetime expected credit losses.

Significant increase in credit risk

Concerning the modelling of the expected credit losses (ECL) and the calculation of the risk provisions for credit risks resulting therefrom, the identification of a significant increase in credit risk (SICR) since the recognition of the credit claim is one of the substantial determinants for the expected impact. For this purpose, quantitative and qualitative indicators for the estimation of a SICR are defined for all portfolios and product types, including receivables overdue by more than 30 days.

Quantitative indicators include adverse changes in the probability of default (PD) over the lifetime, whereby the significant increase is determined by means of a combination of relative and absolute change threshold levels. Generally, the indicators for the PD are defined to represent the risk in consideration of forward-looking information (FLI) as a point-in-time measurement. The PD threshold levels are defined for customer segments or (individual) customer rating and are subject to continuous validation.

Qualitative indicators for calculating a SICR include forbearance measures and the transfer of the customer to the workout department as well as early warning indicators (if these are not already sufficiently considered in the rating) and indications of fraud. The setting of qualitative indicators is based inherently on the expert evaluation of credit risks, which is to be carried out in an appropriate and timely manner. The group-wide and institution-specific guidelines and processes concerning this ensure the required governance framework. Besides the qualitative determinants on a customer level, the calculation of a SICR is carried out at portfolio level if the increase to the credit risk on a business or customer level occurs only after some delay or if the increase is only noticeable at portfolio level. Due to the war in Ukraine and Covid-19 pandemic and the resulting economic impacts, additional criteria were introduced for the determination of a significant increase in the credit risk on a portfolio level. Please see the explanations further down in the chapter titled "War in Ukraine and Energy Crisis".

Calculation of risk provisions

The calculation of risk provisions for defaulted customers is generally carried out on an individual level. The individual method is used for significantly defaulted customers and comprises an individual definition of those restructuring or liquidation scenarios deemed currently possible, their probability of occurrence, and the expected recoveries per scenario (amortisations and collateral proceeds) by the workout risk manager. The present value is determined by discounting the expected cash flows using the original effective interest rate. The required risk provision is the difference between the gross carrying amount and the present value of the expected cash flows in a scenario, that is the probability weighted calculation of all scenarios. A customer is classified as significant if the total receivables and off-balance sheet items are above a certain materiality threshold.

Otherwise, the customer is classified as "insignificant", whereby a rule-based approach is applied for the calculation of the individual risk provision. Statistically calculated risk parameters are used for the expected loss calculation of a customer classed as "insignificant", depending on the length of recovery and the status of the restructuring and workout process, the potential restructuring and settlement scenarios, their probability of occurrence, and the associated expected returns. The risk provisions are calculated by taking the gross carrying amount, minus the cash-flows discounted by the effective interest rate per scenario, calculated over all probability weighted scenarios.

The calculation of risk provisions for receivables for not defaulted customers follows a rule-based approach. The credit risk parameters used in the calculation include the gross carrying amount at default, the probability of default (PD), the loss given default (LGD), and the conversion factor (CCF) for off-balance sheet items. When determining the loss given default, the result of discounting future cash flows to the present value is considered. For the calculation of rule-based risk provisions, the applicable risk positions are grouped into homogeneous clusters based upon common risk characteristics. The criteria for this grouping can be different depending on the customer segment (private customers, corporate customers) and include type of product, type of security, type of repayment, loan-to-value ratios, or rating classes.

The risk parameters applied in the calculation of the expected credit loss consider both the information available on past events and current conditions on the reporting date, as well as future-related information in the form of forecasts concerning future economic developments. Depending on the characteristics of each portfolio and in consideration of the IFRS rules, the risk parameters which are used in the calculation of the rule-based risk provisions can differ from the risk parameters used to calculate the capital requirements.

War in Ukraine and energy crisis

Due to the uncertainty caused by the war in Ukraine and the energy crisis, Erste Group applied at the end of December 2022, in addition to the standard assessment of forward-looking information, a collective assessment of the significant increase in credit risk (stage overlays), i.e., the shift to stage 2 based on predefined portfolio characteristics. This procedure was coordinated with all affected subsidiaries and business areas and approved by the respective management bodies of Erste Group. Exemptions from the collective assessment of significant increase in credit risk were required when anomalies were identified and properly documented as to why they behaved differently from the rest of the portfolio.

Up until the fourth quarter of 2022, Erste Group also had stage overrides in place for the Covid-19 pandemic. The improvement in the situation over the course of 2022 allowed the termination of the Covid-19 related stage overrides.

The war between Ukraine and Russia compounded the challenges posed by a rally in energy prices on the one hand and supply chain disruptions on the other. The energy price development had an impact on different sectors, especially those with energy-intensive production processes, but also on those with high fuel cost shares. Therefore, rules for stage overlays due to the war in Ukraine (Ukraine War Overlays) were introduced as a combination of cyclical sectors and one-year default probabilities under IFRS.

Due to the current turmoil in the energy market affecting the availability and prices of gas and other forms of energy, Erste Group introduced in September 2022 a collective stage assessment for energy dependency in addition to the cyclical sectors. Two-fold effects were identified: Consequences of gas rationing and gas shortages for customers either due to energy-intensive production processes or due to the dependence on gas as the primary input in their business processes. The vulnerability is caused by gas dependency, (limited) substitution opportunities and the impact of substitution on financial, hedging and pricing mechanisms. In the raw materials sector, the metal and chemical sub-sectors were identified as being most affected. All companies in the energy sector, the entire industry, can potentially be affected by the massive congestion and distortions in the current energy market: price volatility, margin calls, price caps, weaknesses in the European energy infrastructure, fixed purchase agreements (which endanger customers if they are terminated, and / or prevent renewable energy producers from benefiting from the higher prices), etc. All customers belonging to these industries/sub-industries have been moved to Stage 2. However, certain business models in the energy sector are more likely to benefit from the current situation and therefore do not fit the general portfolio characteristics (due to the broad definition of the energy sector). Such entities are excluded in accordance with the requirements of IFRS 9 B.5.5.5.

Intangible and tangible assets

Intangible and tangible assets were measured at purchase or production cost less depreciation and impairment. Straight-line depreciation has been applied. The useful life is 25 to 50 years for buildings, 4 to 20 years for business and office equipment and 4 to 15 years for intangible assets. Low-value assets were fully written off in the year of acquisition.

Liabilities

Liabilities were recognised in the balance sheet at their settlement values.

Issuing costs for securities were expensed immediately; premiums and discounts on issued securities were amortised on a pro rata basis using the effective interest rate method.

Provisions

Defined benefit plan

Defined benefit plans of Erste Group Bank AG comprise provisions for pension, severance and jubilee benefits. In Austria, defined pension plans now only apply to retired employees. The pension obligations for active employees were transferred to VBV-Betriebliche Altersvorsorge AG in the previous years. Remaining with Erste Group Bank AG is a defined-benefit obligation for entitlements of former employees who had already retired by 31 December 1998 before the pension reform took effect, and for those former employees who did not retire until 1999 but continued to be entitled to a direct pension from Erste Group Bank AG under individual agreements. Entitlements to resulting survivor pensions also remained with the Erste Group Bank AG. Severance entitlements continue to be applicable for employees whose employment contract with Erste Group Bank AG commenced prior to 1 January 2003. Severance pay is a one-off payment which employees are entitled to when their employment is terminated. Entitlement to this severance pay arises after three years of employment. Defined benefit plans include jubilee benefits. The amount of jubilee benefits (payments for long-term service/loyalty to the company) is determined by the length of employment with the employer. The entitlement to jubilee benefits is established by a collective agreement, which defines both the conditions and amount of the entitlement.

Obligations under defined benefit plans for employees are determined using the projected unit credit method. Future obligations are determined based on actuarial reports. The calculation takes into account not only the known salaries, pensions and entitlements to future pension payments but also expected salary and pension increases.

The interest rate applied for the calculation of long-term personnel provisions is derived from the current interest rate of a portfolio of high-quality (AA-rating) corporate bonds. For this purpose, the weighted average of the yield of the underlying portfolio is determined with a corresponding duration.

Tax provisions and other provisions

Unless the amounts were small, provisions were set aside on the best estimate basis. Tax provisions and other provisions with a term of more than a year were discounted at a market interest rate of corporate bonds with an AA rating. Depending on the applicable remaining duration, interest rates between 0.0% and 3.82% were applied.

Assets held in trust

Separable trust assets were declared off-balance sheet in accordance with section 48 (1) Austrian Banking Act (BWG).

Derivatives transactions

Derivatives in a hedge relationship under AFRAC-statement 15 (December 2020) are treated as a valuation unit, thus the fair value neither of the derivative nor of the hedged item is part of the balance sheet. Derivatives in the Banking Book, which are not in a hedge relationship under AFRAC statement 15 (December 2020) are recognised based on the imparity principle in profit and loss as provisions for contingent losses with the expected loss exceeding the book value. The interest income/expenses as well as possible financial compensation from the current period are accrued based on the effective interest rate. These are shown in the interest result.

Derivatives in the trading book are shown in the balance sheet for each contract based on mark-to-market valuations.

The fair value is the amount which could be achieved in an active market from the sale of a financial instrument, or the amount which would need to be paid for a purchase. If market rates were available, these were used for valuation. If market rates were not available, valuation models, especially the net present value method, were used. Fair values for options were calculated using the recognised option price models. Amongst others, the valuation models include the Black-Scholes model, binomial model, Hull-White model, local volatility model and Vanna-Volga model.

Credit Value Adjustment (CVA) and Debt Value Adjustment (DVA) are used for the calculation of the fair value of derivatives.

Derivatives with the same counterparty and a netting agreement, which comply with the requirements for offsetting (central counterparts), are netted in the balance sheet.

Deferred tax assets

Deferred tax assets are recognised to the extent of convincing substantial evidence that sufficient taxable income will be available in future against which tax-deductible temporary differences and tax losses can be offset. Valuation is carried out using those tax rates (and tax laws), which are already in force on the balance sheet date or have been decided by the National Assembly and are expected to be in force at the time of reversal of the temporary differences. The valuation methods were based on expected results for all larger incorporated companies in the tax group.

The calculation of deferred tax assets of Erste Group Bank AG as group parent of the group of companies, which includes only group members in Austria, was completed in accordance with AFRAC-Statement 30 “Deferred Tax Assets in single and consolidated financial statements” (December 2020).

Securities lending and repurchase transactions

In repurchase agreements / securities lending transactions, the underlying assets continue to be recognised in the balance sheet. A liability is presented against the pledgee in the amount received for the transfer. In reverse repurchase agreements / securities lending transactions, the assets taken over are not part of the balance sheet. The amount owed by the pledgor is recognised as a receivable in the amount paid for the transfer.

Investment grants

Investment grants, as defined by the law on investment grants (InvPrG), which were mainly capitalised for tangible assets, are recognised, in accordance with the gross method, on the liabilities side of the balance sheet under investment grants and recognised in profit and loss according to the respective useful lives of the subsidised capital assets.

Changes in accounting and measurement methods

Further to the already mentioned adaptions in other chapters, the following change has been applied.

The ECB has decided in accordance with Article 24 (2) CRR that Erste Group Bank AG shall carry out the valuation of assets and off-balance sheet items and the determination of own funds on an individual basis in accordance with the International Accounting Standards in accordance with Regulation (EC) No. 1606/2002. The off-balance sheet items “Eligible own funds according to Part 2 of Regulation (EU) No. 575/2013” and “Own funds requirements according to Art. 92 of Regulation (EU) No. 575/2013” will be determined for the first time as of December 31, 2022, using values, that would result from preparing separate financial statements in accordance with IAS 27 and IFRS as adopted by the EU. The previous year's figures for these items are determined based on Commercial Code (UGB)/Austrian Banking Act (BWG) values and are therefore only comparable to a limited extent.

C. NOTES ON THE BALANCE SHEET AND INCOME STATEMENT

Unless otherwise indicated, amounts for the reporting year are stated in Euros, for the previous year in thousand Euros. The tables in this report may contain rounding differences.

1. Maturity structure of loans and advances as well as liabilities to credit institutions and customers (by residual time to maturity)

Loans and Advances

in EUR or in EUR thousand	Dec 22	Dec 21
Loans and advances to credit institutions	**27,162,034,332.32**	**22,928,850**
payable on demand	2,835,433,087.49	1,250,790
0-3 months	11,313,110,739.92	11,275,857
3-12 months	4,797,661,182.50	2,344,761
1-5 years	5,388,108,261.45	6,020,203
>5 years	2,827,721,060.96	2,037,239
Loans and advances to customers	**23,145,479,142.13**	**19,075,169**
payable on demand	1,139,716,975.03	1,705,268
0-3 months	3,472,306,678.37	1,773,557
3-12 months	2,923,191,586.10	1,856,626
1-5 years	10,439,355,744.23	7,229,918
>5 years	5,170,908,158.40	6,509,801

Liabilities

in EUR or in EUR thousand	Dec 22	Dec 21
Liabilities to credit institutions	**38,149,231,804.67**	**35,907,602**
payable on demand	5,531,787,199.98	5,281,583
0-3 months	18,284,657,576.72	15,836,800
3-12 months	8,133,783,306.22	1,010,377
1-5 years	5,290,202,490.67	12,296,878
>5 years	908,801,231.08	1,481,964
Liabilities to customers (non-banks)	**10,936,770,977.93**	**7,806,405**
Savings deposits	**0.00**	**0**
Other Liabilities	**10,936,770,977.93**	**7,806,405**
payable on demand	4,270,164,109.51	4,897,317
0-3 months	6,337,631,341.97	2,630,467
3-12 months	140,437,372.93	20,484
1-5 years	61,232,676.52	109,580
>5 years	127,305,477.00	148,557

2. Debt securities due within one year

Purchased debt securities worth EUR 725,142,493.86 (prior year: EUR 899,766 thousand) and issued debt securities worth EUR 1,443,026,109.00 (prior year: EUR 1,725,416 thousand) are scheduled to mature in the year following 31 December 2022.

3. Assets and liabilities in foreign currencies

in EUR or in EUR thousand	Dec 22	Dec 21
Assets	21,264,733,801.85	20,134,930
Liabilities	12,480,967,901.07	9,903,448

4. Loans and advances as well as liabilities to affiliated companies and companies in which participating interests are held

in EUR or in EUR thousand	Loans and advances to affiliated companies		Loans and advances to participating interests	
	Dec 22	Dec 21	Dec 22	Dec 21
Treasury bills and other bills eligible for refinancing with central banks	0.00	0	0.00	0
Loans and advances to credit institutions	14,929,690,705.51	17,405,050	0.00	0
Loans and advances to customers	575,741,672.00	1,125,514	6,120,796.44	5,229
Debt securities and other fixed-income securities (incl. securitised loans and advances to credit institutions)	281,394,153.29	396,235	0.00	0
Shares and other variable-yield securities	1,068,020,620.45	1,008,260	3,477,574.34	3,517

in EUR or in EUR thousand	Liabilities to affiliated companies		Liabilities to participating interests	
	Dec 22	Dec 21	Dec 22	Dec 21
Liabilities to credit institutions	21,194,451,683.07	18,594,034	5,799,713.52	1,641
Liabilities to customers (non-banks)	3,048,184,117.77	1,657,880	1,859,794.96	1,153
Securitised liabilities	270,238,684.98	316,367	0.00	0
Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013	518,093.33	2,073	0.00	0

Business with affiliated companies is conducted at arm's length.

5. Subordinated assets

in EUR or in EUR thousand	Dec 22	Dec 21
Loans and advances to credit institutions, thereof	**914,000,916.19**	**499,613**
to affiliated companies	908,399,022.84	476,880
to companies with participating interests	0.00	0
Loans and advances to customers, thereof	**105,207.62**	**535**
to affiliated companies	0.00	0
to companies with participating interests	23,620.80	113
Shares and other fixed-income securities, thereof	**430,793,591.77**	**166,197**
to affiliated companies	4,583,404.19	0
to companies with participating interests	0.00	0

6. Fiduciary business

No fiduciary business without the right of disposal was disclosed as of the balance sheet date.

7. Securities

Breakdown of securities admitted to trading on stock exchange items A5 to A8

pursuant to section 64 -1 no. 10 Austrian Banking Act (BWG) in EUR or in EUR thousand	Listed		Not listed	
	Dec 22	Dec 21	Dec 22	Dec 21
Shares and other fixed-income securities	9,065,584,083.18	4,810,130	0.00	0
Shares and other variable-yield securities	221,212,596.62	166,877	5,416,004.42	6,612
Participating interests	0.00	0	0.00	0
Shares in affiliated companies	0.00	0	0.00	0
Total	**9,286,796,679.81**	**4,977,007**	**5,416,004.42**	**6,612**

Breakdown of securities admitted to trading on stock exchange items A5 to A6

pursuant to section 64 -1 no. 11 Austrian Banking Act (BWG) in EUR or in EUR thousand	Fixed assets		Current assets	
	Dec 22	Dec 21	Dec 22	Dec 21
Shares and other fixed-income securities	3,922,238,707.30	2,239,591	4,010,465,583.79	1,525,569
Shares and other variable-yield securities	21,032,872.77	52	11,747,011.47	6,610
Total	**3,943,271,580.07**	**2,239,642**	**4,022,212,595.26**	**1,532,179**

Securities that are listed on a non-regulated market, for example those on the third market of the Vienna Stock Exchange, are considered as approved for trading on the stock market, yet they are not publicly listed.

Allocation pursuant to section 64 (1) no. 11 Austrian Banking Act (BWG) was carried out in accordance with the organisational policies adopted by the management board, with positions being included under fixed assets that are held for strategic purposes of liquidity. As of 31 December 2022, the difference to the redemption value – items A2 to A6 - resulting from the pro rata write-downs pursuant to section 56 (2) Austrian Banking Act (BWG) amounts to EUR 159,906,280.00 (prior year: EUR 180,473 thousand), whereas the difference to the redemption value from the pro rata write-ups pursuant to section 56 (3) Austrian Banking Act (BWG) amounts to EUR 92,448,928.14 (prior year: EUR 39,996 thousand).

Repurchase agreements

The carrying amount of assets subject to sale and repurchase agreements amounts to EUR 3,449,865,542.66 on the balance sheet date (prior year: EUR 1,355,889 thousand).

Differences of the securities listed for trade on the stock exchange not held as financial fixed assets

The difference between the booked higher market value on the balance sheet date and the cost of purchase pursuant to section 56 (5) Austrian Banking Act (BWG) amounts to EUR 0.00 (prior year: EUR 1,929 thousand). The right to book the securities at the higher market value pursuant to section 56 (5) Austrian Banking Act (BWG) was no longer exercised as of 31 December 2022.

The difference between the higher market value on the balance sheet date and the booked cost of purchase pursuant to section 56 (4) Austrian Banking Act (BWG) amounts to EUR 282,334.70 (prior year: EUR 0.00 thousand).

Breakdown of debt securities and other fixed-income securities

in EUR or in EUR thousand	Dec 22	Dec 21
Issued by public-sector issuers	1,507,443,346.11	750,281
Own issues	4,049,825,159.81	1,587,532
Bonds - domestic credit institutions	149,320,140.24	39,357
Bonds - foreign credit institutions	2,108,243,338.21	1,409,247
Mortgage and municipal securities	1,074,534,108.31	872,190
Convertible bonds	0.00	0
Other bonds	176,217,990.50	151,523
Total position A5	**9,065,584,083.18**	**4,810,130**

8. Trading Book

Erste Group Bank AG kept a trading book pursuant to Art. 102 CRR throughout the financial year. As of 31 December 2022, the securities portfolio (assets and liabilities) assigned to the trading book was EUR 8,188,899,866.32 (prior year: EUR 12,604,947 thousand). Money market instruments worth EUR 28,928,343,486.82 (prior year: EUR 7,834,911 thousand) were assigned to the trading book as of 31 December 2022.

As of 31 December 2022, the volume of other financial instruments in the trading book had a nominal value of EUR 297,639,315,837.01 (prior year: EUR 237,533,809 thousand).

The disclosure of other financial instruments includes external transactions as well as booked internal transactions concerning hedge relationships. Further information on internal transactions can be found in section 28 of this chapter.

9. Participating interests and shares in affiliated companies

The amounts for equity and result are denominated in euro and, as a rule, are, on behalf of a timely reporting, derived from the IFRS financial statements prepared for consolidation purposes according to uniform group guidelines. The share indicated below represents direct and indirect shares.

Holdings as of 31 December 2022

Company name, registered office	Interest of Erste Group in %	Equity	Result	Balance sheet date
Credit institutions according to CRR				
Banca Comercială Română S.A., Bucharest	99.89	2,203,540,129.00	371,064,501.00	31 Dec 22
Banka Sparkasse d.d., Ljubljana	28.00	147,858,057.00	11,664,404.00	31 Dec 22
Česká Spořitelna a.s., Prague	100.00	5,337,161,093.00	828,217,347.00	31 Dec 22
Erste & Steiermärkische Bank d.d., Rijeka	69.26	1,193,476,745.00	129,695,335.00	31 Dec 22
ERSTE BANK AD NOVI SAD, Novi Sad	80.50	361,967,247.00	19,965,594.00	31 Dec 22
Erste Bank der oesterreichischen Sparkassen AG, Vienna	100.00	1,964,355,926.00	273,684,564.00	31 Dec 22
Erste Bank Hungary Zrt, Budapest	85.00	1,032,090,100.00	96,016,544.00	31 Dec 22
Prva stavebna sporitelna, a.s., Bratislava	35.00	-292,589,287.67	-8,412,365.07	31 Dec 22
Public Joint-stock company commercial Bank "Center-Invest", Rostow on Don	9.09	194,842,123.82	11,583,176.47	31 Dec 20
Slovenska sporitelna, a. s., Bratislava	100.00	2,157,180,330.00	244,559,269.00	31 Dec 22
SPAR-FINANZ BANK AG, Salzburg	50.00	5,376,632.76	85,695.19	31 Dec 22
Financial institutions				
EB Erste Bank Internationale Beteiligungen GmbH, Vienna	100.00	26,564,933.00	3,162,434.00	31 Dec 22
Erste Finance (Delaware) LLC, Wilmington	100.00	28,062.00	-10,881.00	31 Dec 22
Erste Group Immorent GmbH, Vienna	100.00	343,840,869.00	24,244,352.00	31 Dec 22
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o., Ljubljana	100.00	-57,213.00	-101,549.00	31 Dec 22
EUROPEAN INVESTMENT FUND, Luxembourg	0.07	3,974,049,165.00	564,357,382.00	31 Dec 21
Holding Card Service s.r.o., Prague	100.00	44,916,863.00	-2,438.00	31 Dec 22
Intermarket Bank AG, Vienna	93.79	115,131,771.00	5,387,001.00	31 Dec 22
Other				
ASEF S.C.Sp., Senningerberg	5.32	24,355,140.00	9,543,576.00	31 Dec 21
Austrian Reporting Services GmbH, Vienna	14.29	115,804.74	3,838.33	31 Dec 21
aws Gründerfonds Beteiligungs GmbH & Co KG, Vienna	5.11	55,189,879.13	-729,619.29	31 Dec 21
Dateio s.r.o., Prague	25.80	3,347,196.07	292,872.56	31 Dec 21
EB-Restaurantsbetriebe Ges.m.b.H., Vienna	100.00	2,224,038.00	-38,767.00	31 Dec 22
Erste Asset Management GmbH, Vienna	91.06	136,401,502.00	64,880,538.00	31 Dec 22
ERSTE CAMPUS Immobilien AG & Co KG, Vienna	100.00	100,388,658.00	7,532,103.00	31 Dec 22
ERSTE d.o.o., Zagreb	45.19	16,135,390.74	2,205,679.47	31 Dec 22
Erste Digital GmbH, Vienna	82.13	108,031,848.00	-7,522,411.00	31 Dec 22
Erste Group Card Processor d.o.o., Zagreb	100.00	17,136,316.00	1,776,362.00	31 Dec 22
Erste Group Services GmbH, Vienna	100.00	411,751.00	118,561.00	31 Dec 22
Erste Group Shared Services (EGSS), s.r.o., Hodonin	100.00	868,762.00	94,211.00	31 Dec 22
Erste Reinsurance S.A., Luxembourg	100.00	58,667,998.00	3,029,461.00	31 Dec 22
George Labs GmbH, Vienna	100.00	1,795,052.00	306,095.00	31 Dec 22
Graben 21 Liegenschaftsverwaltung GmbH, Vienna	100.00	850,166.00	-6,387,896.00	31 Dec 22
Haftungsverbund GmbH, Vienna	63.81	727,434.00	1,935.00	31 Dec 22
IPS Fonds Gesellschaft bürgerlichen Rechts, Vienna	62.60	206,189,992.00	4,661.00	31 Dec 21
OM Objektmanagement GmbH, Vienna	100.00	31,228,384.00	1,114,313.00	31 Dec 22
Österreichische Wertpapierdaten Service GmbH, Vienna	32.56	303,649.16	37,412.12	31 Dec 21
Procurement Services GmbH, Vienna	99.86	1,057,706.00	244,460.00	31 Dec 22
Society for Worldwide Interbank Financial Telecommunication scrl, La Hulpe	0.26	601,053,166.00	108,754,722.00	31 Dec 21
Speedinvest III EuVECA GmbH & Co KG, Vienna	1.82	67,547,134.38	-3,311,947.18	31 Dec 21
TAUROS Capital Investment GmbH & Co KG, Vienna	40.43	6,169,490.72	-633,010.80	31 Dec 21
Therme Wien GmbH & Co KG, Vienna	15.33	24,002,941.14	107,854.33	31 Dec 21
VBV - Betriebliche Altersvorsorge AG, Vienna	29.46	74,902,249.35	18,267,623.46	31 Dec 22
WE.TRADE INNOVATION DESIGNATED ACTIVITY COMPANY, Dublin	3.18	1,893,156.00	-8,045,709.00	31 Dec 20
Wiener Börse AG, Vienna	11.67	170,454,375.94	35,226,143.97	31 Dec 21
WIENER STÄDTISCHE VERSICHERUNG AG Vienna Insurance Group, Vienna	2.15	559,208,510.25	64,934,921.83	31 Dec 21

In 2016, the European Bank for Reconstruction and Development (EBRD) and Corvinus Nemzetközi Befektetési Zártkörüen Müködö Részvénytársaság (Corvinus) each acquired 15% of the shares in Erste Bank Hungary Zrt. (EBH) from Erste Group Bank AG. At the same time, call-put option agreements were entered into for the acquisition of the overall 30% of the shares between Erste Group Bank AG and the EBRD and with Corvinus. Due to the different structures of these option agreements, 15% of the shares that were sold to the EBRD are still included as investments in affiliated companies in the Erste Group Bank AG's annual financial report, at the same time a financial liability in the value of the expected exercise price is accounted for. For the remaining part (Corvinus), the put-call agreements were recognised off-balance as options.

There are open payment obligations to the nominal capital amounting to EUR 4,000,000.00 EUR (prior year: EUR 4,000 thousand) to the EUROPEAN INVESTMENT FUND, Luxembourg.

10. Fixed assets

The carrying amount of developed land was EUR 6,758,201.35 as of 31 December 2022 (prior year: EUR 6,758 thousand). The carrying amount as of 31 December 2022 did not include leased assets. For the next financial year, Erste Group Bank AG will have expenses from the use of tangible assets not disclosed in the balance sheet (rental and leasing contracts) of EUR 19,182,060.35 (prior year: EUR 15,770 thousand), and of EUR 96,441,220.20 for the next five financial years (prior year: EUR 79,943 thousand).

Intangible fixed assets include assets with a value of EUR 23,387,784.24 (prior year: EUR 20,975 thousand) that were acquired from an affiliated company. During the reporting year, assets were acquired in the value of EUR 5,406,488.70 (prior year: EUR 5,919 thousand).

Statement of changes in fixed and long-term assets 2022

At cost

in EUR	1 January 2022	Additions	Disposals	Reclassification	Currency translation (+/-)	31 December 2022
Participating interests	**208,036,705.04**	**11,403,588.75**	**7,892,674.62**	**0.00**	**0.00**	**211,547,619.17**
Shares in affiliated companies	**10,951,918,070.84**	**21,264,093.36**	**1.00**	**0.00**	**0.00**	**10,973,182,163.20**
Intangible fixed assets	**104,041,490.99**	**5,429,918.99**	**0.00**	**0.00**	**0.00**	**109,471,409.98**
Tangible assets	**175,052,347.55**	**39,060,876.27**	**2,455,593.05**	**0.00**	**0.00**	**211,657,630.77**
Securities	**10,427,746,418.27**	**4,650,494,183.56**	**1,407,269,308.27**	**0.00**	**39,537,242.72**	**13,710,508,536.28**
Treasury bills and similar securities	4,926,213,726.44	1,271,863,767.11	377,662,580.00	0.00	0.00	5,820,414,913.55
Loans and advances to credit institutions	1,244,130,997.88	781,766,584.10	227,855,538.51	-10,949,359.66	14,286,405.93	1,801,379,089.74
Loans and advances to customers	1,035,103,267.48	432,820,679.28	397,725,895.18	296,280.07	2,797,689.55	1,073,292,021.20
Bonds and other fixed-income securities	2,216,248,359.30	1,989,943,153.07	404,025,294.58	10,653,079.59	22,453,147.24	3,835,272,444.62
Shares and other non-fixed-income securities	1,006,050,067.17	174,100,000.00	0.00	0.00	0.00	1,180,150,067.17
Total	**21,866,795,032.69**	**4,727,652,660.93**	**1,417,617,576.94**	**0.00**	**39,537,242.72**	**25,216,367,359.40**

Accumulated depreciation

in EUR	1 January 2022	Write-ups (-)	Write-downs (+)	Additions / Disposals (-/+)	Currency translation (+/-)	31 December 2022
Participating interests	**77,340,679.95**	**1,114,364.12**	**23,595,758.65**	**317,583.39**	**0.00**	**99,504,491.09**
Shares in affiliated companies	**2,497,392,612.43**	**77,755,796.07**	**230,890,281.36**	**0.00**	**0.00**	**2,650,527,097.72**
Intangible fixed assets	**81,429,141.88**	**0.00**	**4,621,380.15**	**0.00**	**0.00**	**86,050,522.03**
Tangible assets	**33,838,582.38**	**0.00**	**4,071,967.94**	**-446,015.45**	**0.00**	**37,464,534.87**
Securities	**11,290,003.72**	**18,904,366.92**	**121,428,952.66**	**-14,164,835.09**	**-130,633,351.23**	**-30,983,596.86**
Treasury bills and similar securities	49,818,691.88	7,196,694.60	14,831,383.96	-41,162,580.00	0.00	16,290,801.24
Loans and advances to credit institutions	-816,054.28	1,285,007.51	3,891,545.86	9,566,499.76	-32,978,194.48	-21,621,210.65
Loans and advances to customers	-22,322,303.62	4,678,905.77	943,569.13	3,625,425.19	-37,616,395.25	-60,048,610.32
Bonds and other fixed-income securities	-15,370,135.51	5,743,753.10	3,762,954.89	13,805,819.96	-60,038,761.50	-63,583,875.26
Shares and other non-fixed-income securities	-20,194.75	5.94	97,999,498.82	0.00	0.00	97,979,298.13
Total	**2,701,291,020.36**	**97,774,527.11**	**384,608,340.76**	**-14,293,267.15**	**-130,633,351.23**	**2,842,563,048.85**

Carrying amount

in EUR	Clean Price	Contractual interest accrual	31 December 2022	1 January 2022
Participating interests	**112,043,128.08**	**0.00**	**112,043,128.08**	**130,696,025.09**
Shares in affiliated companies	**8,322,655,065.48**	**0.00**	**8,322,655,065.48**	**8,454,525,458.41**
Intangible fixed assets	**23,420,887.95**	**0.00**	**23,420,887.95**	**22,612,349.11**
Tangible assets	**174,193,095.90**	**0.00**	**174,193,095.90**	**141,213,765.17**
Securities	**13,741,492,133.14**	**83,034,013.83**	**13,824,526,146.97**	**10,473,376,340.64**
Treasury bills and similar securities	5,804,124,112.31	33,975,230.82	5,838,099,343.13	4,909,634,183.12
Loans and advances to credit institutions	1,823,000,300.39	8,766,275.85	1,831,766,576.24	1,249,467,346.55
Loans and advances to customers	1,133,340,631.52	6,549,821.22	1,139,890,452.74	1,062,855,451.82
Bonds and other fixed-income securities	3,898,856,319.88	23,382,387.42	3,922,238,707.30	2,239,590,603.80
Shares and other non-fixed-income securities	1,082,170,769.04	10,360,298.52	1,092,531,067.56	1,011,828,755.35
Total	**22,373,804,310.55**	**83,034,013.83**	**22,456,838,324.38**	**19,222,423,938.42**

11. Other assets

in EUR or in EUR thousand	Dec 22	Dec 21
Securities transactions	318,392,308.68	136,080
Derivatives	3,535,650,403.54	2,832,414
Accrued income	11,263,262.05	9,017
Receivables from participating interests and affiliated companies	140,463,894.29	82,371
Other payments and settlements	314,582,262.37	207,653
Other assets	**4,320,352,130.93**	**3,267,535**

The carrying amounts for derivatives are shown post offsetting with central counterparties. Derivative assets and liabilities as well as provided and received cash collateral to cover the market values of outstanding derivatives are included in offsetting. Offsetting is carried out according to clearing agent, central clearer and currency.

The balance sheet item other assets include derivatives with a reduced carrying amount of EUR 5,138,245,493.57 (prior year: EUR 2,241,095 thousand). In the balance sheet item loans to credit institutions, the carrying amounts were reduced by EUR 201,208,006.90 (prior year: EUR 234,350 thousand).

12. Accrued and deferred items

Prepayments and accrued income decreased to EUR 104,752,709.70 as of 31 December 2022 (prior year: EUR 107,116 thousand). Of these, EUR 87,574,780.68 (prior year: EUR 77,149 thousand) were accruals in connection with securities and derivative instruments and EUR 11,803,277.01 (prior year: EUR 23,607 thousand) were prepayments on commissions.

13. Deferred tax assets

In accordance with Section 198 Paragraph 9 of the Austrian Commercial Code (UGB) deferred tax assets amount to EUR 281,177,067.03 (prior year: EUR 238,463 thousand), thereof EUR 213,078,382.90 (prior year: EUR 168,552 thousand) are based on recognition of tax losses and EUR 68,098,684.13 (prior year: EUR 69,911 thousand) arising from temporary differences. The increase in deferred tax assets in comparison to the prior year, is attributable to higher anticipated tax results in the plan years. The right to recognise tax losses carried forward is used, as - according to multiannual tax planning - taxable profits are expected in the future against which the tax losses carried forward can be offset. Thus, from today's perspective, a tax advantage seems achievable. To calculate deferred taxes, the local tax rate in Austria in the amount of 24.0% for 2023 and 23.0% for 2024 ongoing is applied for the parent company as well as for branches with tax credit method according to the double taxation agreement. For the branch in Hong Kong (double taxation agreement with tax exemption method), the local tax rate in the amount of 16.5% is applied.

14. Securitised liabilities

in EUR or in EUR thousand	Dec 22	Dec 21
Non-covered loans and bank bonds	11,634,454,771.16	8,934,691
Mortgage and municipal bonds	13,651,642,185.22	10,000,775
Certificates of deposits	1,194,848,391.77	1,261,922
Securitised liabilities	**26,480,945,348.15**	**20,197,388**

Erste Group Bank AG issues commercial papers and certificates of deposit for the US money market via the New York branch and the fully consolidated subsidiary Erste Finance Delaware LLC. The New York branch's Dollar Certificates of Deposit Program had reached EUR 18,774,313.44 as of 31 December 2022 (prior year: EUR 17,659 thousand). The Dollar Commercial Paper Program of Erste Finance Delaware LLC is fully secured by Erste Group Bank AG. The framework program amounted to EUR 7,031,689,480.59 as of 31 December 2022 (prior year: EUR 6,621,932 thousand), of which commercial papers are in circulation in the amount of EUR 2,811,659,889.86 (prior year: EUR 1,386,005 thousand) for which the issue amount was immediately transferred to Erste Group Bank AG and are recognised in the item liabilities to customers.

15. Other liabilities

in EUR or in EUR thousand	Dec 22	Dec 21
Securities transaction	7,539,584.97	55,194
Derivatives	3,515,584,581.58	2,475,201
Accrued income	2,310,667.36	2,752
Other liabilities and settlements	884,593,221.00	1,050,997
Other Liabilities	**4,410,028,054.91**	**3,584,143**

The carrying amounts for derivatives are shown post offsetting with central counterparties. Derivative assets and liabilities as well as provided and received cash collateral to cover the market values of outstanding derivatives are included in offsetting. Offsetting is carried out according to clearing agent, central clearer and currency.

The balance sheet item other liabilities includes derivatives with a reduced carrying amount of EUR 5,084,883,922.24 (prior year: EUR 2,391,654 thousand). In the balance sheet item liabilities to credit institutions, the carrying amounts were reduced by EUR 252,764,134.91 (prior year: EUR 83,791 thousand). The balance sheet item other provisions include derivatives with a reduced carrying amount of EUR 1,805,443.32 (prior year: EUR 0 thousand).

16. Provisions

in EUR or in EUR thousand	Dec 22	Dec 21
Provisions for pensions	244,579,060.09	288,400
Provisions for taxation	33,223,576.31	65,810
Provisions for contingent liabilities	98,227,199.72	94,552
Provisions for derivatives in the bank book	3,167,945.68	121
Other	118,458,488.78	132,132
Provisions	**497,656,270.58**	**581,014**

Assumptions for the actuarial calculation of pension entitlements

	Dec 22	Dec 21
Interest rate	3.75%	1.05%
Expected increase in pension benefits (including career- and collective agreement trend)	4.00%	2.40%

The expected retirement age was individually calculated per employee due to the amendments determined in the Ancillary Budget Act 2003 (BGBl I 71/2003) concerning the raising of the earliest possible retirement age. The currently applicable legislation specifying a gradual rise of the retirement age for men and women to 65 was taken into consideration.

An interest rate of 4.90% (prior year: 2.82%) was used for the calculation of pension obligations in the New York branch.

The pension entitlements for the New York branch are outsourced to Milliman Inc. The calculated pension obligations amount to EUR 35,810,277.52 (prior year: EUR 43,185 thousand). As of 31 December 2022, the balance at the bank dedicated to the fulfilment of the outsourced pension obligations amounted to EUR 26,922,747.98 (prior year: EUR 33,657 thousand).

Assumptions for the actuarial calculation of severance entitlements and jubilee benefits

	Dec 22	Dec 21
Interest rate	3.75%	1.05%
Average salary rise (including career- and collective agreement trend)	4.00%	3.30%

The obligations were calculated in accordance with the Association of Actuaries' (AVÖ) mortality table "AVÖ 2018 – Rechnungsgrundlagen für die Pensionsversicherung".

Severance and anniversary entitlements are outsourced to Wiener Städtische Versicherung AG. Severance entitlements measured in accordance with commercial law and based on the above parameters amount to EUR 30,711,768.03 (prior year: EUR 38,572 thousand), respectively EUR 16,079,183.69 (prior year: EUR 17,938 thousand) for jubilee benefits obligations and are posted as a contingent liability off-balance. The credit intended for the performance of outsourced severance entitlements with the insurer as of 31 December 2022 amounted to EUR 33,594,824.51 (prior year: EUR 38,801 thousand) and the amount defined for jubilee benefits obligations is EUR 18,005,106.83 (prior year: EUR 18,054 thousand).

The outsourcing of severance/jubilee benefits entitlements to Wiener Städtische Versicherung AG has not resulted in any change to employee claims against Erste Group Bank AG, which continues to be liable for the severance/jubilee benefits entitlements of eligible employees.

17. Subordinated liabilities

Subordinated debt (subordinated liabilities and supplementary capital) amounted to EUR 6,870,908,795.03 as of 31 December 2022 (prior year: EUR 7,484,319 thousand). Out of the subordinated liabilities taken by Erste Group Bank AG (including supplementary capital), one issue with a nominal value amounting to EUR 750,000,000.00 was above the 10% limit for total subordinated liabilities. This issue from 2020, denominated in Euros, currently carries a 4.25% coupon, and does not have a specific expiry date. It is an Additional Tier 1 bond according to article 52 CRR. The nominal value will be reduced as soon as the core capital ratio falls below 5.125%. Conversion into shares is not planned. The terms of all subordinated liabilities in the value of EUR 4,079,018,914.32 (prior year: EUR 4,692,446 thousand) are in compliance with the requirements set forth in section 62 until 71 CRR (corresponds to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013).

Movements in total subordinated liabilities were as follows:

in EUR or in EUR thousand	1-12 22	1-12 21
Opening balance	**7,484,318,815.83**	**7,881,922**
Increase due to new issues	511,342,465.76	502,789
Decrease due to redemption	-1,137,751,352.76	-942,495
Decrease due to partial extinguishment	-6,351,287.14	-15
Changes in carrying amount of bonds, of accrued interest and of FX valuation	19,350,153.35	42,118
Closing balance	**6,870,908,795.03**	**7,484,319**

Supplementary capital liabilities are primarily issued in the form of securities. The securities are due at the end of the term. Supplementary capital bonds are sold to international institutional customers and private customers.

In the upcoming year, securitised supplementary capital liabilities in the value of EUR 477,397,208.83 (prior year: EUR 1,139,562 thousand) are due for repayment due to maturity.

The weighted average interest rate of supplementary capital bonds was 3.0% as of 31 December 2022 (prior year: 2.9%) and the average remaining term was 6,0 years (prior year: 5,0 years).

The term “subordinated” is defined in accordance with section 45, paragraph 4 and section 51, paragraph 9 of the Austrian Banking Act.

In 2022, Erste Group Bank AG's expenses for subordinated liabilities amounted to EUR 254,479,453.38 (prior year: EUR 283,888 thousand).

18. Tier 2 capital pursuant to Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013

As of the 2022 balance sheet date, the carrying amount of supplementary capital is EUR 4,079,018,914.32 (prior year: EUR 4,692,446 thousand). Thereof amounts the repurchased supplementary capital from own issues of Erste Group Bank AG with a carrying amount including interest accruals in the amount to EUR 6,563,860.06 (prior year: EUR 24,538 thousand).

19. Additional core capital

In the reporting year 2022, Erste Group Bank AG issued no further bonds (prior year: EUR 0 thousand) as part of its Additional Tier 1 programme from 20 April 2016.

Article 52 (1) lit n CRR provides for the loss absorbency of financial instruments of additional core capital (write-down or conversion). A trigger event for the write-off or conversion of additional core capital is deemed to occur according to Article 54 Section 1 lit a CRR if the core capital ratio of the Erste Group Bank AG falls below 5.125% or below another higher value defined by the Erste Group Bank AG. In 2022 no write-downs occurred.

20. Subscribed capital

Subscribed capital on 31 December 2022 was EUR 859,600,000.00 (prior year: EUR 859,600 thousand), represented by 429,800,000 voting bearer shares (ordinary shares). Erste Group Bank AG held no own shares on the balance sheet date.

21. Authorised and conditional capital as of 31 December 2022

Authorised capital

According to clause 5 of the Articles of Association, the management board is authorised to increase the registered capital of the Company until 18 May 2027 subject to the supervisory board's consent - also in several tranches - by an amount of up to EUR 343,600,000.00 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 issuing conditions being determined by the management board subject to the supervisory board's consent.

Furthermore, the management board is authorised to fully or partly exclude the shareholders' statutory subscription right subject to the supervisory board's consent (exclusion of the subscription right):

- if the capital increase is in return for contributions in kind; or
- if the capital increase is in return for a cash contribution and the shares issued to the exclusion of the subscription right of the shareholders, taken together, do not exceed EUR 85.960.000,00.

These two measures may also be combined.

The pro rata amount of registered capital attributable to the new shares (i) for which the shareholders' subscription rights in the case of capital increases in kind and in cash are excluded under the referenced authorization, (ii) which serve to fulfil subscription rights, conversion rights and conversion obligations from convertible bonds, which had been issued after 18 May 2022 according to clause 8.3 of the Articles of Association with the exclusion of the subscription rights, and (iii) which had been issued to fulfil stock options by employees, executives and members of the board of the company or an affiliated company from conditional capital in accordance with clause 6.3 of the Articles of Association must not exceed a total of 10% of the share capital.

Conditional capital

Pursuant to clause 6.3 of the Articles of Association, conditional capital based on the management board resolutions in 2002 and 2010 (both approved by the supervisory board) with a nominal value of EUR 21,923,264.00 persists, which can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares 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. According to clause 6.4 of the Articles of Association, the Company has additional conditional capital from the general meeting's resolution of 12 May 2009 of EUR 124,700,000.00 from the issuance of up to 62,350,000 ordinary bearer shares. This conditional capital serves to grant conversion or subscription rights to investors of convertible bonds. In the case of a specified conversion obligation in the terms of issue of convertible bonds, it should also serve to fulfil this conversion obligation. The issue amount and conversion ratio are to be determined according to financial calculation methods as well as the company's share prices in a recognised pricing procedure.

Authorized conditional capital

According to clause 7 of the Articles of Association no authorisation currently exists to grant conditional capital.

22. Major shareholders

As of 31 December 2022, together with its syndicate partners (savings banks, share management savings banks – "Anteilsverwaltungssparkassen", and savings bank foundations – "Sparkassenstiftungen"), DIE ERSTE oesterreichische Spar-Casse Privatstiftung ("ERSTE Stiftung"), a foundation, controls approx. 24.16% (prior year: 22.25%) of the shares in Erste Group Bank AG and with 17.30% (prior year: 16.50%) is the main shareholder. The ERSTE Stiftung holds 5.78% (prior year: 5.90%) of the shares directly; the indirect participation of the ERSTE Stiftung amounts to around 11.52% (prior year: 10.60%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated undertaking of the ERSTE Stiftung. 2.78% (prior year: 1.67%) are held directly by savings bank foundations, savings banks, and the Erste employee share participation foundation (Erste Mitarbeiterbeteiligungsstiftung), acting together with the ERSTE Stiftung. 4.08% (prior year: 4.08%) are held by a syndicate partner, Wiener Städtische Versicherungsverein.

On 18 May 2022, a decision was made at the annual general meeting in favour of paying a dividend in the amount of EUR 1.60 per share. According to its share in Erste Group Bank AG, a dividend was paid for the ERSTE Stiftung amounting to EUR 78,019,129.60 (prior year: EUR 72,543 thousand) in the financial year 2022.

The purpose of the ERSTE Stiftung, to be achieved notably by way of holding interests in Erste Group Bank AG, is to support social, scientific, cultural as well as charitable institutions and to promote the guiding principles of the savings bank philosophy. As of 31 December 2022, Boris Marte (CEO), Wolfgang Schopf (CFO), Martin Wohlmuth (COO) and Eva Höltl were appointed as board members of the ERSTE Stiftung. The ERSTE Stiftung's supervisory board had nine members at the end of 2022, two of whom also serve as members of the supervisory board of Erste Group Bank AG.

In accordance with clause 15.1 of the Articles of Association, and for the time in which the ERSTE Stiftung assumes liability for all current and future debts in the event of their default on payment, it is entitled, pursuant to section 92 (9) Austrian Banking Act, to nominate up to one-third of the supervisory board members for election at the annual general meeting. So far, the ERSTE Stiftung has not exercised this right.

The ERSTE Stiftung did not hold as of 31 December 2022 bonds of Erste Group Bank AG (prior year: EUR 150 thousand). With the exception to the facts already mentioned in this section, there were, as in the prior year, no further business relations between Erste Group Bank AG and ERSTE Stiftung.

23. Reserves

In 2022, the reserves of Erste Group Bank AG developed as follows:

in EUR	31 December 2021	Allocations (+)	Releases (-)	Reclassification	31 December 2022
Capital reserves	**1,628,111,165.08**	**0.00**	**0.00**	**0.00**	**1,628,111,165.08**
committed	1,628,111,165.08	0.00	0.00	0.00	1,628,111,165.08
uncommitted	0.00	0.00	0.00	0.00	0.00
Reserves for share-based payments	**3,195,660.37**	**0.00**	**0.00**	**1,760,345.10**	**4,956,005.47**
Retained earnings	**5,324,520,962.35**	**774,553,356.70**	**0.00**	**-5,100,673.83**	**6,093,973,645.22**
statutory reserve	1,537,900,000.00	0.00	0.00	0.00	1,537,900,000.00
reserves provided for by the articles	0.00	0.00	0.00	0.00	0.00
other reserves	3,485,740,882.99	724,715,075.01	0.00	-5,100,673.83	4,205,355,284.17
blocked reserves	300,880,079.36	49,838,281.69	0.00	0.00	350,718,361.05
Reserve pursuant to section 57 (5) of Austrian Banking Act (BWG)	**851,000,000.00**	**0.00**	**0.00**	**0.00**	**851,000,000.00**

From the purchase and sale of treasury shares in the long position, Erste Group Bank AG recorded capital loss in the amount of EUR 5,100,673.83, which were booked as a deduction from other reserves in retained earnings pursuant to section 229 (1a and 1b) of the Commercial Code (UGB). In the prior year, a profit of EUR 6 thousand had been booked in committed capital reserves.

The allocation of retained earnings amounted to EUR 774,553,356.70 (prior year: EUR 1,094,642 thousand) and concerned other reserves amounting to EUR 724,715,075.01 (prior year: EUR 928,659 thousand) as well as blocked reserves amounting to EUR 49,838,281.69 (prior year: EUR 165,983 thousand). The latter includes allocation to the ex-ante-fund (see Annex chapter C point 24) in the amount of EUR 7,124,460.62 (prior year: EUR 7,279 thousand) as well as the allocation of deferred tax assets amounting to EUR 43,237,793.32 (prior year: EUR 159,008 thousand) in Austria and EUR 19,324.98 (prior year: EUR 134 thousand) at the Hong Kong branch, and the release of deferred tax assets in the amount of EUR 543,297.23 (prior year: EUR 438 thousand) at the New York branch.

The capital contributed to the ex-ante fund is reported under blocked reserves, which, on a member level, does not qualify as own funds according to article 26 (1) CRR, as well as amounts from the capitalisation of deferred taxes which, pursuant to section 235 (2) Commercial Code, are subject to a payout block. Due to the restricted right of disposal, disclosure is carried out separately to the remaining equity items.

24. Resolution Fund, deposit guarantee fund, IPS fund

Resolution Fund

EU directive 2014/59/EU (Bank Recovery and Resolution Directive, BRRD) was transposed into Austrian law via the Austrian Banking Restructuring and Resolution Act (BaSAG). BaSAG became effective on 1 January 2015. The law governs a number of aspects, including the creation of financing mechanisms for the resolution of credit institutions that provide for the annual payment of contributions by banks to a joint European resolution fund (Single Resolution Fund, SRF).

BaSAG defines the target level of the Austrian Resolution Fund and the contribution payable by the Austrian credit institutions. The law requires that the Resolution Fund be endowed with at least 1% of the secured deposits of all credit institutions authorised in Austria by 31 December 2024. Therefore, the fund shall be set up over a period of 10 years and, to the extent practicable, contributions will be equally distributed over the entire period.

The contributions to be made by the credit institutions are calculated as a ratio of their respective liabilities (exclusive of own funds) less secured deposits to the aggregate liabilities (exclusive of own funds) less secured deposits of all institutions authorised in Austria, distributed over a period of 10 years. Furthermore, these contributions will be weighted in accordance with the risk profile of the credit institution. The amount payable as contribution is thus determined not only by the respective credit institution's unsecured liabilities, but also significantly influenced by the unsecured liabilities held by all Austrian institutions and the risk weighting. The resolution authority is tasked with determining the risk weighting. In 2022, Erste Group Bank AG paid EUR 41,858,928.79 (prior year: EUR 28,105 thousand), which is included in the item other operating expenses.

Deposit guarantee fund

The deposit guarantee scheme, based on an EU directive (2014/49/EU), serves to protect customer deposits held at credit institutions. This EU directive was transposed into national law in Austria by way of the Act on Deposit Guarantee Schemes and Investor Compensation (ESAEG) and came into effect on 14 August 2015.

Every guarantee scheme has its own deposit guarantee fund consisting of available financial resources amounting to no less than 0.8% of the sum of covered deposits held at the member institutions (target level). This target level is to be achieved over a period of 10 years.

As long as the target level has not been reached, the guarantee schemes will require their member institutions to pay an annual contribution. The contributions payable by the member institutions are calculated based on the volume of covered deposits (0.8% of the covered deposits distributed over a 10-year period) and are determined in relation to the nature of the risks to which each relevant member institution is specifically exposed. The method used to determine the risk weighting must be approved by the FMA. In 2022, Erste Group Bank AG paid a total of EUR 74,225.27 (prior year: EUR 120 thousand), which is included in the item other administrative expenses.

IPS fund (ex-ante-fund)

The IPS fund is an ex-ante-fund of the Austrian savings banks' institutional guarantee system (IPS) that is intended to secure financial support to members facing economic difficulties. The IPS fund is a "Gesellschaft bürgerlichen Rechts" (IPS Fonds GesBR - a partnership under civil law) – the low-risk, readily available investment of the ex-ante-fund is recognised as a special asset. Shareholders with a stake in the assets are Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG, the building society of österreichische Sparkassen AG, and all other Austrian savings banks. Cross-guarantee scheme (Haftungsverbund) GmbH is an active partner but not obliged to make a capital contribution.

By means of annual allocations from the member institutes, the ex-ante fund will be built up until 31 December 2031. The aim is to achieve a volume amounting to 0.5% of the total risk exposure amount of Erste Group on a consolidated level, in accordance with article 92 (3) CRR. Cross-guarantee scheme (Haftungsverbund) GmbH is tasked with determining the amount of the respective payment due. The contributions (deposits) are to be taken from the annual financial result, with other reserves being released where necessary. Erste Group Bank AG created a reserve of EUR 7,124,460.62 (prior year: EUR 7,279 thousand) in 2022, which corresponds to the amount of the contributions made (deposits).

25. Own funds and capital requirement

These unconsolidated financial statements of Erste Group Bank AG have yet to be approved by the supervisory board. Erste Group Bank AG applies the transitional provisions regarding own funds requirements, market risk and credit risk according to the CRR accompanying regulation as well as EU Regulation No. 2016/445 of the European Central Bank on the use of options and discretions under European Union law, ECB/2016/4. The values were determined for the first time in accordance with IFRS as of 31 December 2022.

Own funds - Capital structure according to Regulation (EU) No 575/2013 (CRR)

		CRR	
in EUR or in EUR thousand	Article pursuant to CRR	Dec 22	Dec 21
Common equity tier 1 capital (CET1)			
Capital instruments eligible as CET1	26 (1) (a) (b), 27-30, 36 (1) (f), 42	2,364,264,189.54	2,486,010
Own CET1 instruments	36 (1) (f), 42	-23,178,185.84	-181,324
Retained earnings	26 (1) (c), 26 (2)	6,439,108,894.78	6,114,196
OCI	4 (100), 26 (1) (d)	-397,560,588.41	0
Other reserves	4 (117), 26 (1) (e)	851,000,000.00	0
Prudential filter: cash flow hedge reserve	33 (1) (a)	17,971,431.26	0
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	22,577,767.14	0
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	10,740,945.68	-2,141
Value adjustments due to the requirements for prudent valuation	34, 105	-62,906,301.77	-55,347
Regulatory adjustments relating to unrealised gains and losses	467, 468	0.00	0
Other intangible assets	4 (115), 36 (1) (b), 37 (a)	-39,272,766.49	-13,416
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	36 (1) (c), 38	-215,124,238.31	-168,552
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	-13,717,552.14	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0.00	0
Other components or deductions of the CET1	47 (c)	-14,831,774.11	-5,011
Common equity tier 1 capital (CET1)	**50**	**8,939,071,821.33**	**8,174,414**
Additional tier 1 capital (AT1)			
Additional tier 1 capital (AT1)	51 (a), 52-54, 56 (a), 57	2,236,153,036.13	2,272,771
Own AT1 instruments	52 (1) (b), 56 (a), 57	-1,400,000.00	-1,400
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	0.00	0
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484-487, 489, 491	0.00	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (27), 56 (d), 59, 79	0.00	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	0.00	0
Additional tier 1 capital (AT1)	**61**	**2,234,753,036.13**	**2,271,371**
Tier 1 capital - total amount of common equity tier 1 (CET1) and additional tier1 (AT1)		**11,173,824,857.46**	**10,447,873**
Tier 2 capital (T2)			**0**
Capital instruments and subordinated loans eligible as T2	62 (a), 63-65, 66 (a), 67	2,751,438,579.82	2,991,549
Own T2 instruments	63 (b) (i), 66 (a), 67	-45,676,137.52	-44,986
Instruments issued by subsidiaries recognised in T2	87, 88	0.00	0
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0.00	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0.00	56,522
IRB excess of provisions over expected losses eligible	62 (d)	100,966,806.38	103,397
Standardised approach general credit risk adjustments	62 (c)	0.00	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (27), 66 (d), 68, 69, 79	0.00	0
Tier 2 capital (T2)	**71**	**2,806,729,248.68**	**3,106,481**
Total own funds		**13,980,554,106.14**	**13,552,266**
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**39,431,425,899.45**	**34,553,589**
CET1 capital ratio	**92 (2) (a)**	**22.67%**	**23.66%**
Tier 1 capital ratio	**92 (2) (b)**	**28.34%**	**30.23%**
Total capital ratio	**92 (2) (c)**	**35.46%**	**39.22%**

Capital Requirements - Risk structure according to Regulation (EU) No 575/2013 (CRR)

in EUR or in EUR thousand	Article pursuant to CRR	Dec 22 Calculation base/ total risk (phased-in)	Dec 22 Capital requirement (phased-in)	Dec 21 Calculation base/ total risk	Dec 21 Capital requirement
Total Risk Exposure Amount	**92 (3), 95, 96, 98**	**39,431,425,899.45**	**3,154,514,071.96**	**34,553,589**	**2,764,287**
Risk weighted assets (credit risk)	92 (3) (a) (f)	34,012,813,297.44	2,721,025,063.80	29,074,233	2,325,939
Standardised approach		4,375,179,773.97	350,014,381.92	4,439,838	355,187
IRB approach		29,632,550,295.80	2,370,604,023.66	24,627,406	1,970,193
Default fund contributions to a central counterparty		5,083,227.67	406,658.21	6,990	559
Settlement Risk	92 (3)(c) (ii), 92 (4) (b)	11,079,676.13	886,374.09	249	20
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (iii), 92 (4) (b)	4,272,111,407.51	341,768,912.60	4,337,432	346,995
Operational Risk	92 (3) (e), 92 (4) (b)	750,154,733.37	60,012,378.67	767,773	61,422
Exposure for CVA	92 (3) (d)	385,266,785.00	30,821,342.80	373,902	29,912
Other amounts receivable (regulatory Add-On)		0.00	0.00	0	0
Other exposure amounts incl. Basel 1 floor	3, 458, 459	0.00	0.00	0	0

In the columns "phased-in", the figures are shown under the currently valid CRR provisions, taking into account the incremental tax regulations.

For the preparation of consolidated capital and consolidated capital requirements, reference is made to the corresponding statements in the Erste Group’s Consolidated Financial Statements 2022. Erste Group Bank AG has filed an application for early recognition of year-end profits according to Art. 26 para. 2 CRR.

26. List of assets pledged as collateral for liabilities (acc. to section 64 [1] no. 8 Austrian Banking Act)

Assets in EUR or in EUR thousand	Dec 22	Dec 21	Liability description	Balance sheet item
OeNB asset pool (tender)				
Fixed-income securities	233,992,783.59	277,591*	Refinancing by OeNB / ECB	Liability 1
Total	**233,992,783.59**	**277,591**		
Collateral pool for municipal and mortgage bonds				
Loans and advances to customers	677,508,928.30	703,481	Issued municipal and mortgage bonds	Liability 3
Total	**677,508,928.31**	**703,481**		
Cash Collateral for OTC-derivatives	2,226,357,161.12	668,822	Other liabilities	Liability 4
Cash Collateral for exchange traded derivatives	7,050,153.17	4,980	margin requirement	
Blocked securities account as collateral for OTC- and exchange traded derivatives	1,017,484,005.63	618,850	Other liabilities / margin requirement	Liability 4
Total	**3,250,891,319.91**	**1,292,651**		
Coverage for the pension provisions				
Pension provisions § 11 BPG	201,349,754.77	202,861	Coverage for the pension provisions	Liability 6
Total	**201,349,754.77**	**202,861**		
Pledge agreements				
Securities loan	242,311,640.85	260,093	Guarantees and contingent liabilities pledged as collateral	
Total	**242,311,640.85**	**260,093**		
Total	**4,606,054,427.44**	**2,736,678**		

*The prior year was adjusted by EUR 10,500,222,891.87 (prior year: EUR 10,777,814 thousand). The adjustment was made to be consistent with the assets reported on the balance sheet and is primarily due to collaterals in the form of retained covered bonds that are not reported on the balance sheet.

27. Total volume of unsettled derivatives

Dec 22 in EUR	Remaining maturity nominals < 1 year	 1-5 years	 > 5 years	Total
Interest rate contracts	**82,195,639,814.95**	**106,974,915,935.64**	**51,467,934,284.69**	**240,638,490,035.28**
OTC products	81,886,652,997.95	106,974,915,935.64	51,467,934,284.69	240,329,503,218.28
Options	1,831,232,215.07	5,984,967,635.22	1,006,052,892.59	8,822,252,742.88
Other (f.i.: Interest rate swaps)	80,055,420,782.88	100,989,948,300.42	50,461,881,392.10	231,507,250,475.40
Exchange-traded products	308,986,817.00	0.00	0.00	308,986,817.00
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	308,986,817.00	0.00	0.00	308,986,817.00
Securities related business	**1,402,433,479.91**	**3,737,687,648.48**	**749,215,725.59**	**5,889,336,853.98**
OTC products	805,035,277.73	3,736,334,644.16	749,215,725.59	5,290,585,647.48
Options	440,116,041.94	1,885,333,487.25	123,644,680.32	2,449,094,209.51
Other (f.i.: Stock swaps)	364,919,235.79	1,851,001,156.91	625,571,045.27	2,841,491,437.97
Exchange-traded products	597,398,202.18	1,353,004.32	0.00	598,751,206.50
Options	259,713,960.66	1,342,504.32	0.00	261,056,464.98
Other (f.i.: Futures)	337,684,241.52	10,500.00	0.00	337,694,741.52
Currency contracts	**58,935,207,813.23**	**15,274,818,300.65**	**2,104,203,481.93**	**76,314,229,595.81**
OTC products	58,923,879,013.77	15,274,818,300.65	2,104,203,481.93	76,302,900,796.35
Options	1,215,722,622.54	289,924,676.59	160,956,060.63	1,666,603,359.76
Other (f.i.: Currency swap)	57,708,156,391.23	14,984,893,624.06	1,943,247,421.30	74,636,297,436.59
Exchange-traded products	11,328,799.46	0.00	0.00	11,328,799.46
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	11,328,799.46	0.00	0.00	11,328,799.46
Credit derivatives	**110,948,000.00**	**932,041,448.08**	**0.00**	**1,042,989,448.08**
OTC products	110,948,000.00	932,041,448.08	0.00	1,042,989,448.08
Credit default options	0.00	0.00	0.00	0.00
Other (f.i.: Credit Default Swaps)	110,948,000.00	932,041,448.08	0.00	1,042,989,448.08
Exchange-traded products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
other	0.00	0.00	0.00	0.00
Commodity contracts	**8,808,166.14**	**0.00**	**0.00**	**8,808,166.14**
OTC products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
Other (f.i.: Commodity swaps)	0.00	0.00	0.00	0.00
Exchange-traded products	8,808,166.14	0.00	0.00	8,808,166.14
Options	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	8,808,166.14	0.00	0.00	8,808,166.14
other	**84,500,000.00**	**711,393,487.87**	**448,709,071.98**	**1,244,602,559.85**
OTC products	84,500,000.00	711,393,487.87	448,709,071.98	1,244,602,559.85
Options	8,500,000.00	84,000,000.00	85,000,000.00	177,500,000.00
Other (f.i.: Inflation swaps)	76,000,000.00	627,393,487.87	363,709,071.98	1,067,102,559.85
Exchange-traded products	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00
other	0.00	0.00	0.00	0.00
Total	**142,737,537,274.23**	**127,630,856,820.72**	**54,770,062,564.19**	**325,138,456,659.14**
OTC products	**141,811,015,289.45**	**127,629,503,816.40**	**54,770,062,564.19**	**324,210,581,670.04**
Exchange-traded products	**926,521,984.78**	**1,353,004.32**	**0.00**	**927,874,989.10**

The nominal values were presented without netting the transactions with central counterparties.

Dec 21 in EUR thousand	Remaining maturity nominals < 1 year	 1-5 years	 > 5 years	Total
Interest rate contracts	**54,965,308**	**79,787,644**	**52,292,366**	**187,045,318**
OTC products	54,758,106	79,787,644	52,292,366	186,838,116
Options	1,415,228	5,500,347	1,322,956	8,238,531
Other (f.i.: Interest rate swaps)	53,342,879	74,287,297	50,969,410	178,599,585
Exchange-traded products	207,202	0	0	207,202
Options	0	0	0	0
Other (f.i.: Futures)	207,202	0	0	207,202
Securities related business	**1,193,328**	**3,105,424**	**801,017**	**5,099,769**
OTC products	783,925	3,103,863	801,017	4,688,805
Options	356,583	1,698,391	216,665	2,271,640
Other (f.i.: Stock swaps)	427,342	1,405,471	584,352	2,417,165
Exchange-traded products	409,403	1,562	0	410,964
Options	121,154	1,012	0	122,166
Other (f.i.: Futures)	288,248	550	0	288,798
Currency contracts	**51,718,461**	**13,321,770**	**2,293,534**	**67,333,765**
OTC products	51,704,723	13,321,770	2,293,534	67,320,027
Options	800,732	322,541	101,031	1,224,304
Other (f.i.: Currency swap)	50,903,990	12,999,229	2,192,504	66,095,723
Exchange-traded products	13,739	0	0	13,739
Options	0	0	0	0
Other (f.i.: Futures)	13,739	0	0	13,739
Credit derivatives	**173,871**	**1,075,432**	**11,540**	**1,260,843**
OTC products	173,871	1,075,432	11,540	1,260,843
Credit default options	0	0	0	0
Other (f.i.: Credit Default Swaps)	173,871	1,075,432	11,540	1,260,843
Exchange-traded products	0	0	0	0
Options	0	0	0	0
Other	0	0	0	0
Commodity contracts	**15,808**	**0**	**0**	**15,808**
OTC products	0	0	0	0
Options	0	0	0	0
Other (f.i.: Commodity swaps)	0	0	0	0
Exchange-traded products	15,808	0	0	15,808
Options	0	0	0	0
Other (f.i.: Futures)	15,808	0	0	15,808
Other	**40,000**	**442,464**	**499,181**	**981,645**
OTC products	40,000	442,464	499,181	981,645
Options	40,000	37,500	140,000	217,500
Other (f.i.: Inflation swaps)	0	404,964	359,181	764,145
Exchange-traded products	0	0	0	0
Options	0	0	0	0
Other	0	0	0	0
Total	**108,106,776**	**97,732,733**	**55,897,638**	**261,737,148**
OTC products	**107,460,625**	**97,731,172**	**55,897,638**	**261,089,435**
Exchange-traded products	**646,151**	**1,562**	**0**	**647,713**

28. Derivative financial instruments and fixed-asset financial instruments

Derivative financial instruments

Dec 22	Notional amount		Carrying amount	Fair value	
in EUR		thereof sells	Assets (+) / Liabilities (-)	Positive	Negative
Interest rate contracts	**240,638,490,035.28**	**4,593,467,431.29**	**92,658,645.50**	**7,652,863,306.56**	**-9,270,318,963.14**
OTC products	240,329,503,218.28	4,593,467,431.29	92,658,645.50	7,652,863,306.56	-9,270,318,963.14
Options	8,822,252,742.88	4,593,467,431.29	19,128,833.94	159,466,054.07	-140,575,161.01
Other (f.i.: Interest rate swaps)	231,507,250,475.40		73,529,811.56	7,493,397,252.49	-9,129,743,802.13
Exchange-traded products	308,986,817.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	308,986,817.00		0.00	0.00	0.00
Securities related business	**5,889,336,853.98**	**1,171,954,493.27**	**148,142,174.01**	**283,242,974.34**	**-306,620,931.74**
OTC products	5,290,585,647.48	1,031,982,634.81	148,782,237.29	274,542,358.59	-297,280,252.71
Options	2,449,094,209.51	1,031,982,634.81	49,257,140.62	141,237,701.29	-163,939,685.76
Other (f.i.: Stock swaps)	2,841,491,437.97		99,525,096.67	133,304,657.30	-133,340,566.95
Exchange-traded products	598,751,206.50	139,971,858.46	-640,063.28	8,700,615.75	-9,340,679.03
Options	261,056,464.98	139,971,858.46	-640,063.28	8,700,615.75	-9,340,679.03
Other (f.i.: Futures)	337,694,741.52		0.00	0.00	0.00
Currency contracts	**76,314,229,595.81**	**1,130,104,746.96**	**-421,992,258.07**	**907,108,713.16**	**-1,339,557,471.55**
OTC products	76,302,900,796.35	1,130,104,746.96	-421,992,258.07	907,108,713.16	-1,339,557,471.55
Options	1,666,603,359.76	1,130,104,746.96	-23,400,405.84	20,449,679.84	-44,344,113.65
Other (f.i.: Currency swap)	74,636,297,436.59		-398,591,852.23	886,659,033.32	-1,295,213,357.90
Exchange-traded products	11,328,799.46	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	11,328,799.46		0.00	0.00	0.00
Credit derivatives	**1,042,989,448.08**	**47,678,013.69**	**-470,158.78**	**8,807,710.11**	**-9,463,600.14**
OTC products	1,042,989,448.08	47,678,013.69	-470,158.78	8,807,710.11	-9,463,600.14
Credit default options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Credit Default Swaps)	1,042,989,448.08	47,678,013.69	-470,158.78	8,807,710.11	-9,463,600.14
Exchange-traded products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
other	0.00		0.00	0.00	0.00
Commodity contracts	**8,808,166.14**	**0.00**	**0.00**	**0.00**	**0.00**
OTC products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Commodity swaps)	0.00		0.00	0.00	0.00
Exchange-traded products	8,808,166.14	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
Other (f.i.: Futures)	8,808,166.14		0.00	0.00	0.00
other	**1,244,602,559.85**	**4,250,000.00**	**12,126,207.61**	**14,491,459.17**	**-18,747,606.02**
OTC products	1,244,602,559.85	4,250,000.00	12,126,207.61	14,491,459.17	-18,747,606.02
Options	177,500,000.00	4,250,000.00	459,914.30	459,914.30	0.00
Other (f.i.: Inflation swaps)	1,067,102,559.85		11,666,293.31	14,031,544.87	-18,747,606.02
Exchange-traded products	0.00	0.00	0.00	0.00	0.00
Options	0.00	0.00	0.00	0.00	0.00
other	0.00		0.00	0.00	0.00
Total	**325,138,456,659.14**	**6,947,454,685.21**	**-169,535,389.73**	**8,866,514,163.34**	**-10,944,708,572.59**
thereof external/internal deals					
external deals	301,494,262,775.83	6,402,353,225.73	-432,304,395.25	7,783,490,568.78	-9,861,684,978.03
internal deals	23,644,193,883.31	545,101,459.48	262,769,005.52	1,083,023,594.56	-1,083,023,594.56
thereof OTC/Exchange-traded products					
OTC products	324,210,581,670.04	6,807,482,826.75	-168,895,326.45	8,857,813,547.59	-10,935,367,893.56
Exchange-traded products	927,874,989.10	139,971,858.46	-640,063.28	8,700,615.75	-9,340,679.03
thereof trading book/banking book					
Trading Book	297,639,315,837.01	6,653,878,739.35	-55,535,471.08	8,433,730,604.34	-8,456,363,248.65
Banking Book	27,499,140,822.13	293,575,945.86	-113,999,918.65	432,783,559.00	-2,488,345,323.94
thereof hedges	26,542,105,530.97	106,546,249.16	-76,521,814.68	432,355,241.71	-2,450,906,631.53

Nominal Values and fair values are presented without netting transactions with central counterparties.

The carrying amounts of derivatives are reported after netting transactions with central counterparties. The netting includes derivatives on the asset and liability side as well as cash collateral provided or received to cover the fair values of derivatives not yet matured (cash collaterals). Netted carrying amounts are shown on the balance sheet on other assets or other liabilities.

Dec 21	Notional amount		Carrying amount	Fair value	
in EUR thousand		thereof sells	Assets (+) / Liabilities (-)	Positive	Negative
Interest rate contracts	**187,045,318**	**4,133,969**	**217,557**	**4,398,376**	**-4,092,679**
OTC products	186,838,116	4,133,969	217,557	4,398,376	-4,092,679
Options	8,238,531	4,133,969	26,627	140,555	-113,607
Other (f.i.: Interest rate swaps)	178,599,585		190,930	4,257,821	-3,979,072
Exchange-traded products	207,202	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	207,202		0	0	0
Securities related business	**5,099,769**	**1,122,503**	**42,414**	**183,577**	**-143,689**
OTC products	4,688,805	1,051,673	43,457	179,685	-138,755
Options	2,271,640	1,051,673	53,653	113,602	-71,359
Other (f.i.: Stock swaps)	2,417,165		-10,196	66,083	-67,395
Exchange-traded products	410,964	70,830	-1,043	3,892	-4,935
Options	122,166	70,830	-1,043	3,892	-4,935
Other (f.i.: Futures)	288,798		0	0	0
Currency contracts	**67,333,765**	**673,363**	**-67,149**	**764,519**	**-837,414**
OTC products	67,320,027	673,363	-67,149	764,519	-837,414
Options	1,224,304	673,363	-2,552	13,182	-16,347
Other (f.i.: Currency swap)	66,095,723		-64,597	751,336	-821,067
Exchange-traded products	13,739	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	13,739		0	0	0
Credit derivatives	**1,260,843**	**25,153**	**152**	**21,630**	**-29,099**
OTC products	1,260,843	25,153	152	21,630	-29,099
Credit default options	0	0	0	0	0
Other (f.i.: Credit Default Swaps)	1,260,843	25,153	152	21,630	-29,099
Exchange-traded products	0	0	0	0	0
Options	0	0	0	0	0
other	0		0	0	0
Commodity contracts	**15,808**	**0**	**0**	**0**	**0**
OTC products	0	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Commodity swaps)	0		0	0	0
Exchange-traded products	15,808	0	0	0	0
Options	0	0	0	0	0
Other (f.i.: Futures)	15,808		0	0	0
other	**981,645**	**24,250**	**-28,905**	**66,788**	**-50,452**
OTC products	981,645	24,250	-28,905	66,788	-50,452
Options	217,500	24,250	146	146	0
Other (f.i.: Inflation swaps)	764,145		-29,050	66,642	-50,452
Exchange-traded products	0	0	0	0	0
Options	0	0	0	0	0
other	0		0	0	0
Total	**261,737,148**	**5,979,239**	**164,070**	**5,434,888**	**-5,153,332**
thereof external/internal deals					
external deals	239,687,977	5,442,359	386,575	4,704,738	-4,423,182
internal deals	22,049,171	536,880	-222,505	730,150	-730,150
thereof OTC/Exchange-traded products					
OTC products	261,089,435	5,908,408	165,113	5,430,997	-5,148,398
Exchange-traded products	647,713	70,830	-1,043	3,892	-4,935
thereof trading book/banking book					
Trading Book	237,533,809	5,632,777	231,937	4,772,529	-4,757,813
Banking Book	24,203,338	346,462	-67,867	662,360	-395,519
thereof hedges	23,488,208	131,332	-55,289	662,360	-383,158

Book values are represented in the following balance sheet items:

in EUR or in EUR thousand	Dec 22	thereof internal trades	Dec 21
A12 Other assets	3,535,650,403.54	875,229,623.68	2,832,414
A14 Prepayments and accrued income	9,063,767.94	8,689,378.83	8,514
P04 Other liabilities	3,515,584,581.58	490,442,357.99	2,475,201
P05 Accruals and deferred income	195,497,033.95	129,762,179.78	201,537
P06 Provisions	3,167,945.68	945,459.22	121

Embedded derivates

Dec 22	Notional amount	Fair value	
in EUR		Positive	Negative
Securities related business	1,384,449,485.73	125,204,420.64	-16,890,929.29
Credit derivatives	122,851,000.00	3,448,531.48	-2,374,404.24
Other	235,000,000.00	9,491,284.39	-378,308.12
Total	**1,742,300,485.73**	**138,144,236.51**	**-19,643,641.65**

Embedded derivatives are reported together with the underlying liability in accordance with AFRAC Statement 15 (2020), as the embedded derivatives are fully hedged. Therefore, the table does not include any book values. Due to the initial application of AFRAC Statement 15 there are no reconcilable figures available.

Fixed assets instruments

In the following table the figures are displayed without contractual interest accruals.

	Dec 22			
in EUR	Carrying amount	Positive fair value	Hidden losses	Hidden reserves
Treasury bills	5,425,854,644.04	4,630,925,103.31	-794,929,540.73	
	378,269,468.27	384,475,659.60		6,206,191.33
Loans and advances to credit institutions	1,348,139,666.94	1,279,906,723.48	-68,232,943.46	
	474,860,633.45	514,420,719.51		39,560,086.06
Loans and advances to customers	1,057,341,744.37	1,004,381,156.34	-52,960,588.03	
	75,998,887.14	77,055,784.50		1,056,897.36
Debt securities	3,694,013,107.93	3,368,015,500.87	-325,997,607.06	
	204,843,211.93	206,113,445.14		1,270,233.21
Shares and other variable-yield securities	266,228,586.72	266,201,155.06	-27,431.66	
	815,942,182.32	874,030,387.44		58,088,205.12
Financial instruments carried as fixed assets	**11,791,577,750.00**	**10,549,429,639.06**	**-1,242,148,110.94**	
	1,949,914,383.11	**2,056,095,996.19**		**106,181,613.08**

	Dec 21			
in EUR thousand	Carrying amount	Positive fair value	Hidden losses	Hidden reserves
Treasury bills	1,456,245	1,397,995	-58,250	
	3,420,150	3,606,162		186,012
Loans and advances to credit institutions	251,366	248,995	-2,371	
	993,581	1,008,251		14,670
Loans and advances to customers	212,905	211,877	-1,028	
	844,521	887,623		43,103
Debt securities	655,727	649,509	-6,218	
	1,575,892	1,616,701		40,809
Shares	748,600	737,736	-10,864	
	257,470	330,410		72,939
Financial instruments carried as fixed assets	**3,324,843**	**3,246,112**	**-78,731**	
	7,091,614	**7,449,147**		**357,533**

Fixed assets were not written down because the impairments are not expected to be permanent. Analyses in this regard showed that there were no credit rating related impairments in the reporting period. Interest induced impairments are not realized because there is an ability and intention to hold these securities until maturity. Fair value is the amount that could be obtained in an active market through the sale of a financial instrument, or correspondingly the amount that would be payable for its purchase. If market prices were available, these are used to determine fair value. In the absence of market prices, valuation models, in particular the present value method, were used.

29. Market value for securities in inactive markets

Erste Group Bank AG calculates theoretical prices for securities in an inactive market. A market is assumed to be inactive when prices for the relevant securities are formed only sporadically, there is only small-volume trading or no current prices are available.

Of securities traded on stock exchanges and valued at market price, theoretical prices were used for the following volumes. The values shown in the following tables do not include contractual accrued interest.

Carrying amount of securities not marked on the basis of market prices in EUR	Fair value on the basis of the price in the inactive market	Difference 2022
201,359,554.14	187,887,630.54	-13,471,923.61

Carrying amount of securities not marked on the basis of market prices in EUR thousand	Fair value on the basis of the price in the inactive market	Difference 2021
220,414	197,801	-22,613

The last available rates are used as rates for inactive markets. Out of the difference from the reporting year in the amount of EUR 13,471,923.61, 19,671,38.82 (prior year: EUR 23,095 thousand) can be attributed to a zero-coupon bond (for which the last available market price dates from 2001) with a term of 30 years, from which further nominal values were acquired in the financial year 2022.

30. Reclassification in securities positions

In 2022 no need for reclassification of security positions to the current asset portfolio occurred.

31. Hedging transactions

Erste Group Bank AG uses interest rate swaps, cross currency swaps, credit derivatives and options in order to hedge against the market risk (interest-change risk and price risk) from balance sheet assets (bonds, long-term repurchase agreements on asset side) and liabilities (own issues) on an individual basis.

Derivatives are used as specified by the hedging strategy in accordance with the Commercial Code (UGB) to hedge the fair value or the variable future cash flow of underlying transactions and thereby reducing the interest rate risk of Erste Group Bank AG to the level defined under the interest risk strategy.

Erste Group Bank AG uses interest rate swaps to hedge the interest rate risk of the variable future cash flows from the ECB deposit facility.

in EUR	Dec 22	Dec 21	Change
Fair value hedge			
Positive market value fair value hedge	403,644,438.84	547,537,765.95	-143,893,327.11
Negative market value fair value hedge	-2,340,977,410.19	-279,709,184.11	-2,061,268,226.08
Cash flow hedge			
Positive market value cash flow hedge	0.00	0.00	0.00
Negative market value cash flow hedge	-23,346,650.54	0.00	-23,346,650.54
Total			
Total positive market values	403,644,438.84	547,537,765.95	-143,893,327.11
Total negative market values	-2,364,324,060.73	-279,709,184.11	-2,084,614,876.62

The table above represents the proportion of the fair value (Dirty Price) of derivatives in a hedging relationship that were not recognized in the balance sheet (prior to netting). As of 31 December 2021, fair value hedges with maturity up to 2051 and cash flow hedges with maturity up to 2024 were held.

The negative fair values (without taking into account accrued interest) of derivatives used to hedge cash flows were not recognized in the annual financial statements because these cash flows are with almost certain probability offset by cash flows from the underlying ECB deposit facility.

The Commercial Code hedging efficiency measurement is carried out for Erste Group Bank AG for the year 2022 in form of a critical term match and for cash flow hedges within the framework of a regression test.

There are 34 hedging derivatives with USD-LIBOR interest rates with a nominal volume of EUR 166,127,882.99 for hedging the fair value of own issues. A further 77 hedging derivatives with USD-LIBOR interest rates with a nominal volume of EUR 290,399,399.96 serve to hedge the fair value of bonds held assets. These hedging relationships are currently still subject to an uncertainty in connection with the exact definition of the new benchmark rates indicator.

32. Consideration of CVA/DVA in derivative valuation

Credit value adjustments (CVA) for counterparty default risks and debt value adjustments (DVA) for own credit risk are applied for all OTC derivatives. No CVA was recognized for counterparties fully backed by credit support annex – agreements (CSA). The CVA adjustment depends on the expected positive exposure and the counterparty's credit worthiness. DVA is determined by the expected negative exposure and by the credit quality of Erste Group Bank AG. The calculation of expected exposure is based on a model that relies on replicated options and on a Monte Carlo simulation, respectively, the probability of default is based on market information.

For portfolios that are marked-to-market, both CVA and a DVA in the amount of EUR -3,277,410.63 (prior year: EUR -4,715 thousand) and EUR 11,289,120.21 (prior year: EUR 2,141 thousand), respectively were recognized. For the banking book portfolio as in prior years, no CVA (prior year: EUR 0 thousand) was recognized, since hedging transactions are carried out via a central counterparty whereby trades are collateralized.

33. Risk provisions

Changes in risk provisions (loans and advances to credit institutions and to customers, receivables and similar financial instruments to credit institutions, receivables and similar financial instruments to customers, and contingent liabilities):

in EUR or in EUR thousand	1-12 22	1-12 21
Opening balance	**412,633,274.20**	**420,811**
Allocations / Releases (-)	80,190,335.10	21,722
Use	-65,066,717.01	-38,286
Reclassification	0.00	0
Exchange rate changes	5,325,282.21	8,385
Closing balance	**433,082,174.50**	**412,633**

34. Contingent liabilities

Within the off-balance item contingent liabilities in the amount of EUR 5,442,226,544.14 (prior year: EUR 4,455,783 thousand) necessary provisions were deducted. The largest part of the amount totaling EUR 5,052,020,813.26 (prior year: EUR 4,116,054 thousand) relates to liabilities and guarantees from collateralization. This amount also includes comfort letters in the amount of EUR 433,169,852.00 (prior year: EUR 440,248 thousand). A large part of this sum totaling EUR 303,973,900.00 (prior year: EUR 309,187 thousand) was issued by Erste Group Bank AG in 2015 for affiliated companies in case they do not meet their rent payment obligations for the Erste Campus. Moreover, this item also includes credit derivatives in the amount of EUR 390,205,730.88 (prior year: EUR 339,729 thousand).

35. Credit Risk

There is credit risk in the amount of EUR 13,851,143,596.03 (prior year: EUR 11,340,692 thousand) primarily for loan and guarantee commitments which have not yet been exercised. These amounts are net of the appropriate provisions.

36. Gross income – regional breakdown

Gross income of Erste Group Bank AG was broken down as follows (according to the location of branches):

	1-12 22			1-12 21		
in EUR or in EUR thousand	Domestic	Abroad	Total	Domestic	Abroad	Total
Interest and similar income	4,365,581,006.67	562,488,130.97	4,928,069,137.64	1,977,779	66,530	2,044,309
Income from securities and participating interests	1,877,997,559.07	0.00	1,877,997,559.07	703,511	0	703,511
Fee and commission income	204,684,499.61	46,574.73	204,731,074.34	194,101	82	194,183
Net profit or loss on financial operations	-82,227,196.63	-30,503,125.95	-112,730,322.58	9,541	4,624	14,165
Other operating income	131,441,264.81	1,960,018.19	133,401,283.00	87,018	2,901	89,919
Gross income	**6,497,477,133.53**	**533,991,572.94**	**7,031,468,706.47**	**2,971,950**	**74,136**	**3,046,086**

37. Net interest income

Erste Group Bank AG recognizes negative interest charged on loans from money market claims, particularly with central banks (assets) in the amount of EUR 95,567,444.78 (prior year: EUR 169,162 thousand) under interest and similar expenses. Negative interest on deposits, in particular from TLTRO III operations (liabilities) in the amount of EUR 132,276,089.00 (prior year: EUR 213,007 thousand) is recognized under interest and similar income. Securities (assets) show negative interest in the amount of EUR 2,837,650.59 (prior year: EUR 21,615 thousand) under interest and similar expenses. Securities (liabilities) show negative interest in the amount of EUR 11,230,568.54 (prior year: EUR 9,164 thousand) under interest and similar income.

38. Income from participating interests and shares in affiliated companies

The balance sheet item income from participating interests and shares in affiliated companies includes EUR 349,413,936.85 (prior year: EUR 145,767 thousand) and the balance sheet item extraordinary income includes EUR 4,781,725.80 (prior year: EUR 15,545 thousand) from group members, which are subsidiaries belonging to the fiscal group of Erste Group Bank AG within the framework of the group taxation regulations which came into power in 2005.

39. Other operating income

Other operating income of EUR 133,401,283.00 (prior year: EUR 89,919 thousand) included income from personnel and other administrative expenses passed on to group members in the amount of EUR 77,457,795.20 (prior year: EUR 81,228 thousand), income from the release of pension provisions in the amount of EUR 22,264,215.42 (prior year: 0 thousand) as well as income from the termination of derivatives without an underlying transaction in the amount of EUR 15,346,204.25 (prior year: 0 thousand).

40. Personnel expenses

In terms of personnel expenses, the position expenses for severance payments and payments to severance-payment funds included expenses for severance payments in the amount of EUR 1,562,429.30 (prior year: income EUR 842 thousand).

Expenses for pensions are accounted for as follows:

- For defined pension payments in the amount of EUR 22,264,215.42 as income from the release of pension provisions included in the other operating income position (prior year: EUR 3,547 thousand in personnel expenses) and interest expenses in the amount of EUR 3,242,884.26 (prior year: 1,933 thousand) as interest costs.
- Current pension fund contributions in the amount of EUR 9,349,132.12 (prior year: EUR 6,100 thousand) also as personnel costs.

41. Other administrative expenses

Other administrative expenses include fees paid for auditing and tax advisory services. The table below lists the fees or charges, including value added tax, charged by the external auditors (Sparkassen-Prüfungsverband and PwC Wirtschaftsprüfung GmbH):

in EUR or in EUR thousand	1-12 22	1-12 21
Fees charged for auditing the financial statements	3,181,032.62	3,092
Fees charged for audit-related services	1,162,282.07	1,455
Fees charged for tax advisory services	0.00	5
Fees charged for other services	51,260.88	84
Total	**4,337,445.79**	**4,635**

As statutory auditors, Sparkassen-Prüfungsverband (auditing agency) provided auditing services for affiliated companies of Erste Group Bank AG in the amount of EUR 6,063,415.00 (prior year: EUR 5,710 thousand). Other advisory services were charged to other affiliated companies in the amount of EUR 42,042.00 (prior year: EUR 40 thousand). The amount charged for other services for affiliated companies came up to EUR 0,00 (prior year: EUR 0 thousand).

PwC Wirtschaftsprüfung GmbH provided auditing services for affiliated companies of Erste Group Bank AG in the amount of EUR 704,100.00 (prior year: EUR 561 thousand). Other advisory services were charged to other affiliated companies in the amount of EUR 266,040.00 (prior year: EUR 203 thousand).

42. Other operating expenses

Other operating expenses in the amount of EUR 78,396,031.17 (prior year: EUR 31,755 thousand) mainly comprise expenses for the Resolution Fund in the amount of EUR 41,858,928.79 (prior year: EUR 28,105 thousand), expenses from the termination of derivatives without underlying transaction in the amount of EUR 11,181,787.24 (prior year: 0 thousand) as well as the expenses for the Operational Risk Insurance Program in the amount of EUR 6,886,671.56 (prior year: EUR 6,864 thousand).

43. Value adjustments as well as results from purchases and sales in respect of participating interests and shares in affiliated companies

In 2022, the balance from value adjustments as well as results from sales of participating interests and shares in affiliated companies results in a write-down of EUR 174,499,081.43 (prior year: write-up EUR 1,001,078 thousand). This amount is largely attributable to the write-down of Erste Bank Hungary Zrt. of EUR 192,900,000.00 (prior year: write-up EUR 266,500 thousand) as well as the write-up of Banca Comercială Română S.A. of EUR 68,000,000.00 (prior year: EUR 743.00 thousand).

For group members (subsidiaries that are considered a tax group with Erste Group Bank AG under the group taxation regulations of 2005) revaluation requirements in the amount of EUR 32,093,922.00 (prior year: EUR 4,750 thousand) and write-ups amounting to EUR 9,755,796.07 (prior year: EUR 4,000 thousand) are included in this item. As in the prior year, no group members were sold in the reporting year.

44. Taxes on profit and loss

The item taxes on profit or loss shows income amounting to EUR 145,686,880.67 (prior year: EUR 202,068 thousand). This includes income in the amount of EUR 138,179,385.72 (prior year: EUR 97,908 thousand) from the current tax allocation, an expense of EUR 1,840,146.87 (prior year: income EUR 773 thousand) from the retroactive accounting of prior years according to section 9 Corporate Tax Act on group taxation, as well as an income of EUR 42,525,749.95 (prior year: EUR 158,519 thousand) from deferred tax assets. For current corporate income tax to Austrian tax authority, an expense amounting to EUR 19,661,052.98 (prior year: EUR 55,600 thousand) was recorded, as well as an aperiodic corporate income tax expense of EUR 5,881,947.78 (prior year: EUR 0 thousand).

Since 2005, Erste Group Bank AG and its main domestic subsidiaries have formed a tax group in accordance with section 9 Corporate Tax Act, with Erste Group Bank AG as parent company of the group. Group and tax equalisation agreements were concluded with all affiliated companies. Under these agreements, affiliated companies allocate amounts equivalent to the corporation tax on taxable profits to Erste Group Bank AG. Since tax losses from prior years are recorded and offset against their current tax liability by the affiliated companies themselves, there is no obligation to make tax allocation payments to Erste Group Bank AG. Moreover, Erste Group Bank AG undertakes to make compensatory payments for any tax losses utilized up to that point to any affiliated company leaving the Group.

Foreign income taxes and other foreign income related taxes are expenses of EUR 8,030,106.69 (prior year: EUR 46 thousand).

45. Other taxes

The balance sheet item other taxes not shown under item 18 in the amount of EUR 22,316,027.83 (prior year: EUR 1,400 thousand) includes mainly the bank levy to the amount of EUR 21,886,158.23 (prior year: EUR 929 thousand).

46. Branches on a consolidated basis

Dec 2022 Business	Commercial lending to foreign banks, leasing companies and sovereign debtors			Institutional sales- business
Branches	London	New York	Hong Kong	Berlin, Stuttgart
Country of domicile	Great Britain	USA	China	Germany
Net interest income in EUR	0.00	63,295,882.71	-6,814,076.49	1,683.74
Operating result in EUR	0.00	64,703,231.15	-8,548,439.53	3,420.86
Headcount / as of reporting date	0	22	24	12
Profit or loss from ordinary activities in EUR	0.00	54,264,316.42	-16,520,879.99	-3,783,605.17
Taxes on income in EUR	0.00	-8,445,617.17	-270,726.54	-25,806.35
Public benefits received	none	none	none	none

The consolidated negative result before tax of Hong Kong branch is due to internal trades with Vienna headquarter for the purpose of refinancing and hedging. These trades are to be eliminated for the presentation of the table. The overall unconsolidated branch result is positive.

Erste Group Bank AG closed London branch as of 30 June 2021.

Dec 2021 Business	Commercial lending to foreign banks, leasing companies and sovereign debtors			Institutional sales- business
Branches	London	New York	Hong Kong	Berlin, Stuttgart
Country of domicile	Great Britain	USA	China	Germany
Net interest income in EUR	-48,754.37	35,773,702.16	12,337,516.49	-2,030.34
Operating result in EUR	2,396,754.29	37,429,192.19	9,233,697.48	-1,593.92
Headcount / as of reporting date	0	22	24	12
Profit or loss from ordinary activities in EUR	198,716.95	36,315,343.39	2,185,653.38	-3,379,846.83
Taxes on income in EUR	0.00	-1,227,095.57	723,109.38	-31,789.24
Public benefits received	none	none	none	none

47. Return on assets

Profit for the year after tax before changes in reserves expressed in proportion to the average total assets was at balance sheet date 1.7% in 2022 (prior year: 2.2%).

48. Events after balance sheet date

There were no significant events after the balance sheet reporting date.

D. INFORMATION ON BOARD MEMBERS AND EMPLOYEES

The average number of employees at Erste Group Bank AG (weighted, excluding employees on leave and management board members) was 1,860 during the financial year 2022 (previous year: 1,865).

In 2022, 121 employees (previous year: 140) worked at other companies against reimbursement of expenses. The reimbursement costs of EUR 25,732,649.79 (previous year: EUR 17,466 thousand) are included in other operating income.

Overview remuneration of management and supervisory board members

The following table displays the total remuneration of the management board and the supervisory board. The expenses were recognised on an accrued basis. The amounts indicated correspond to the expected payments on the balance sheet date and can deviate from those amounts, which are actually paid out.

The distribution of remuneration to active members of the management and supervisory boards is as follows:

	1-12 22			1-12 21		
in EUR or in EUR thousand	Management board	Supervisory board	Total	Management board	Supervisory board	Total
Short-term benefits	7,256,011.61	1,856,912.58	9,112,924.19	6,539	1,609	8,148
Post-employment benefits	1,422,664.15	0.00	1,422,664.15	1,622	0	1,622
Other long-term benefits	1,229,222.21	0.00	1,229,222.21	765	0	765
Termination benefits	0.00	0.00	0.00	0	0	0
Share-based payments	2,240,385.43	0.00	2,240,385.43	4,779	0	4,779
Total	**12,148,283.41**	**1,856,912.58**	**14,005,195.99**	**13,706**	**1,609**	**15,314**

Neither in 2022 nor in the previous year, Erste Group Bank AG granted loans directly to members of the board or supervisory board. Remuneration paid to board members, who left during this financial year, is reported as active board members. The members of the management board of Erste Group Bank AG were granted a total compensation of 0.5% (previous year: 0.5%) related to Erste Group's total personnel expenses for their activities in the financial year. Total remuneration of EUR 2,729,262.70 (previous year: EUR 4,742 thousand) was granted to former board members and their surviving dependents in the financial year 2022 and 57,669 (previous year: 83,868) share equivalents were awarded.

Short-term benefits

This category includes salaries, payments in kind, social security contributions and other short-term benefits. These also include variable remuneration components, which are paid in cash within a year. The supervisory board remuneration indicated includes supervisory board remuneration, attendance fees and remuneration for serving on the boards of affiliated companies.

Post-employment benefits

The members of the management board participate in the defined contribution pension plan of Erste Group Bank AG according to the same principles as the employees of the Group (see Annex chapter C point 16). Termination benefits primarily include contributions paid to pension funds and employee provision funds.

Other long-term benefits

These primarily include variable remuneration components, which are paid in cash only after a year and distributed over several years. Moreover, expenses for provisions for jubilee benefits (see Annex chapter C point 16) are presented in this category.

Share-based payments

This category includes expenses for share-based variable compensation components.

Supervisory board members

The supervisory board consists of at least three and a maximum of fourteen members elected in the annual general meeting. Unless the annual general meeting has determined a shorter term of the mandate for individual, several or all supervisory board members on the occasion of their appointment, the term of office of the members of the supervisory board ends at the close of the annual general meeting that resolves on the approvals of their actions for the fourth financial business year following their election; re-election is permitted. In addition, membership of the supervisory board ceases upon death, revocation, resignation or in the event of a defined impediment. Revocation requires a majority of three quarters of valid votes cast and a majority of three-quarters of the registered capital represented at the time of the resolution.

Breakdown of supervisory board remuneration

Pursuant to the decision passed at the annual general meeting of 18. May 2022, the supervisory board adopted in its constituent meeting the following yearly remuneration structure for the financial year 2021 and the following years:

in EUR	Number	Allowance per person	Total allowance
Chairman	1	180,000.00	180,000.00
1st Vice Chairman	1	95,000.00	95,000.00
2nd Vice Chairman	1	80,000.00	80,000.00
Member	10	65,000.00	650,000.00
Total	**13**		**1,005,000.00**

In addition, the chairmen of the risk and the audit committee each receive further annual compensation of EUR 20,000.00 (previous year: EUR 10 thousand), the chairman of the IT committee of EUR 15,000.00 (previous year: EUR 10 thousand) and the chairmen of the remuneration, nomination and strategy and sustainability committee each of EUR 10,000.00 (previous year: EUR 5 thousand). If there is no personal identity between the financial expert and the chairperson of the audit committee, the former also receives an additional annual remuneration of EUR 20,000.00.

The additional attendance fee to be paid to the members of the supervisory board was set at EUR 1,200.00 (previous year: EUR 1 thousand) per meeting of the supervisory board or one of its committees.

Erste Group Bank AG did not conclude other legal transactions with its members of the supervisory board.

Transactions and shares held by management board and supervisory board members

The tables below provide information on Erste Group Bank AG shares held by management board and supervisory board members as well as transactions carried out with Erste Group Bank AG shares (numbers of shares). Erste Group Bank AG shares held by management board and supervisory board members, whose office term began or ended during the financial year, as at the date of inception or termination of their term in office were recognised as additions or disposals.

Members of the management board	31 December 2021	Additions	Disposals	31 December 2022
Bleier Ingo	3,111	1,000	0	4,111
Cernko Willibald (Chairman from 1 July 2022)	0	7,206	0	7,206
Dörfler Stefan	1,500	2,956	0	4,456
Habeler-Drabek Alexandra	72	1,256	0	1,328
O'Mahony David	0	5,456	0	5,456
Poletto Maurizio	0	456	0	456
Spalt Bernhard (Chairman until 30 June 2022)	15,000	5,000	20,000	0

Supervisory board members did not receive any options on Erste Group Bank AG shares for exercising their mandate.

Members of the supervisory board	31 December 2021	Additions	Disposals	31 December 2022
Catasta Christine (from 1 July 2022)	0	0	0	0
Egerth-Stadlhuber Henrietta	0	0	0	0
Ersek Hikmet (from 18 May 2022)	0	3,966	0	3,966
Flatz Alois (from 18 May 2022)	0	0	0	0
Grießer Martin (from 1 July 2022)	0	120	0	120
Haag Markus (until 11 January 2022 and from 18 May 2022)	176	141	0	317
Haberhauer Regina	188	106	0	294
Hardegg Maximilian	240	0	0	240
Homan Jan (until 18 May 2022)	4,400	0	4,400	0
Khüny Marion	0	0	0	0
Kühnel Mariana (from 18 May 2022)	0	583	0	583
Krainer Senger-Weiss Elisabeth	0	0	0	0
Lachs Andreas	0	106	0	106
Pichler Barbara	309	244	0	553
Pinter Jozef	0	106	0	106
Rödler Friedrich (Chairman)	2,502	1,300	0	3,802
Santner Friedrich	0	0	0	0
Schuster Michael	0	30	0	30
Simor András	0	0	0	0
Sutter-Rüdisser Michèle F.	0	2,222	0	2,222
Zeisel Karin	38	16	0	54

Persons related to management board or supervisory board members held 1,518 pieces (previous year: 111 pc.) of Erste Group Bank AG shares as of 31 December 2022.

Share-based payments

The total expense recognised during the reporting period arising from share-based payment transactions amounts to EUR 1,862,986.66 (previous year: EUR 15,334 thousand), thereof EUR 4,963,609.54 (previous year: EUR 3,196 thousand) relates to equity-settled share-based payment transactions. At the end of the reporting period, the provision arising from share-based payment transactions amounts to EUR 17,206,413.16 (previous year: EUR 27,297 thousand). The intrinsic value of the provision is EUR 18,637,069.80 (previous year: EUR 31,149 thousand).

Share-based payment for the management board of Erste Group Bank AG

The outstanding amount for variable compensation components to members of the management board as of 31 December 2022 amounts to EUR 7,382,453.20 (previous year: EUR 12,937 thousand). This amount includes amounts from the Long Term Incentive Plan (LTI) program (first for the performance year 2021) as well as tranches not yet disbursed from the phantom share program (for performance years before 2020).

In 2021, a new remuneration plan in shares applies to the executive board of Erste Group Bank AG. The plan comprises short-term and long-term variable remuneration components. The total amount of variable compensation is determined in the following year by a resolution of the supervisory board.

Upfront share-based remuneration: 20% of the bonus will be converted into shares on the date of this supervisory board resolution and is transferred to the participant's securities deposit after one year.

Deferred share-based remuneration: 30% of the bonus is converted into performance share units (PSUs) on the day of the supervisory board resolution using the average share price of the last 30 trading days (Long Term Incentive Plan). 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 will be determined by the supervisory board. The final number of PSUs corresponds to the number of shares, which is transferred to the participant's securities deposit after a retention period of another year.

The shares and PSUs granted are equity-settled share-based payments that vest by the end of the performance year. The share-based payments are recognized at the fair value of the shares or PSUs at the grant date, i.e., the date when the parties on both sides have a common understanding of all the terms and conditions. The determination of the grant date requires the judgment of all circumstances. As the Supervisory Board has significant discretionary powers in connection with the assessment of performance in the performance year, the grant date is the date of the supervisory board's resolution 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 (previous year: 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 1,990,323.24 (previous year: EUR 2,424 thousand). Personnel expenses of EUR 2,240,835.43 (previous year: EUR 2,424 thousand) and a corresponding reserve for share-based remuneration was recognised.

Phantom shares program

Erste Group Bank AG awards 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 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 AFRAC 3.

The estimated fair value of variable compensation for share equivalents is recognised in profit or loss. The provision 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. 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 Bank AG on the balance sheet date and the dividend payments expected until payment.

For 2022, it is expected that 69,782 (previous year: 58,407) share equivalents with a fair value of EUR 1,891,388.47 (previous year: EUR 2,218 thousand) will be granted to eligible employees. The total income recognised in the reporting period for the phantom share program amounts to EUR 3,100,622.88 (previous year: expense EUR 12,138 thousand), the carrying amount of the provision at the balance sheet date is EUR 17,206,413.16 (previous year: EUR 27,297 thousand). The intrinsic value of the provision from unpaid share equivalents is EUR 18,637,069.80 (previous year: EUR 31,149 thousand).

Employee share programs

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 101,385. Personnel expenses in the amount of EUR 2,431,785.20 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 25,384 (previous year: 18,920). Based on the number of entitled employees, personnel expenses in the amount of EUR 291,438.91 (previous year: EUR 771 thousand) were recorded and a corresponding reserve in retained earnings was created.

Severance payments and pensions

Income for severance payments and pensions for members of the management board and managers amounted to EUR 3,770,976.99 (previous year: EUR 1,906 thousand). Expenses for severance payments and pensions for other employees amounted to EUR 4,610,866.34 (previous year: expenses EUR 7,930 thousand). Expenses for surviving dependents and pensioners are included in the reported amounts. In accordance with section 239 (2) Commercial Code, statements regarding members of the executive and supervisory boards are disclosed separately in the annex.

E. APPROPRIATION OF PROFIT

At the annual general meeting, the board will suggest that a dividend in the amount of EUR 1,90 per share (prior year: EUR 1,60 per share) be paid to the shareholders from the total net retained earnings. The amount blocked according to section 235 (1) Commercial Code is EUR 0,00 (prior year: EUR 0 thousand).

F. MANAGEMENT BODIES OF ERSTE GROUP BANK AG AS OF 31 DECEMBER 2022

Supervisory board

Position	Name	Year of birth	Occupation	Date of initial appointment	Expiration date of current period
Chairman	Rödler Friedrich	1950	Auditor and tax advisor	4 May 2004	AGM 2025
1st Vice Chairman (until 18 May 2022)	Homan Jan	1947	General manager, ret.	4 May 2004	AGM 2022
1st Vice Chairman (from 18 May 2022)[1]	Hardegg Maximilian	1966	Entrepreneur	12 May 2015	AGM 2025
2nd Vice Chairwoman (from 18 May 2022)[2]	Krainer Senger-Weiss Elisabeth	1972	Laywer	21 May 2014	AGM 2024
Member	Catasta Christine	1958	Auditor and tax advisor	1 July 2022	AGM 2026
Member	Egerth-Stadlhuber Henrietta	1971	Managing Director of Österreichische Forschungsförderungsgesellschaft	26 June 2019	AGM 2026
Member	Ersek Hikmet	1960	CEO, ret.	18 May 2022	AGM 2026
Member	Flatz Alois	1966	Investor	18 May 2022	AGM 2025
Member	Khüny Marion	1969	Consultant	17 May 2017	AGM 2026
Member	Kühnel Mariana	1983	Deputy general secretary, Austrian Chamber of Commerce	18 May 2022	AGM 2025
Member	Santner Friedrich	1960	Entrepreneur	10 November 2020	AGM 2023
Member	Schuster Michael	1980	Investor	19 May 2021	AGM 2024
Member	Simor András	1954	Former Senior Vice President, CFO and COO	10 November 2020	AGM 2023
Member	Sutter-Rüdisser Michèle F.	1979	Professor in an Institute for finance, finance law, law and economy	15 May 2019	AGM 2026
Delegated by the employees' council					
Member	Grießer Martin	1969	-	26 June 2019	until further notice
Member	Haag Markus	1980	-	21 November 2011	until further notice
Member	Haberhauer Regina	1965	-	12 May 2015	until further notice
Member	Lachs Andreas	1964	-	9 August 2008	until further notice
Member	Pichler Barbara	1969	-	9 August 2008	until further notice
Member	Pinter Jozef	1974	-	25 June 2015	until further notice
Member	Zeisel Karin	1961	-	9 August 2008	until further notice

[1] prior to that 2nd Vice Chairman
[2] prior to that Member

Representatives of the supervisory authority

Name	Position
Bartsch Wolfgang	State Commissioner
Kremser Michael	Deputy State Commissioner
BINDER GRÖSSWANG Rechtsanwälte GmbH (since 1 September 2022)	Deputy trustee under the Mortgage Bank Act (Pfandbriefgesetz)
Niedrist Clemens Wolfgang (until 31 August 2022)	State Controller for Premium Reserve
Moser Erhard (until 31 August 2022)	Deputy State Controller for Premium Reserve
Kienzl Irene (until 31 August 2022)	Deputy trustee under the Mortgage Bank Act (Hypothekenbankgesetz)
Offner Gabriela (until 31 August 2022)	Deputy trustee under the Mortgage Bank Act (Hypothekenbankgesetz)

Management board

Management board members	Year of birth	Date of initial appointment	Expiration date of current period
Bleier Ingo	1970	1 July 2019	30 June 2026
Cernko Willibald (Chairman from 1 July 2022)	1956	1 July 2022	31 December 2024
Dörfler Stefan	1971	1 July 2019	31 December 2023
Habeler-Drabek Alexandra	1970	1 July 2019	31 December 2023
O'Mahony David	1965	1 January 2020	31 December 2026
Poletto Maurizio	1973	1 January 2021	31 December 2023
Spalt Bernhard (Chairman until 30 June 2022)	1968	1 July 2019	30 June 2022

Vienna, February 28, 2023

Management board

Willibald Cernko e.h.
Chairman

Ingo Bleier e.h.
Member

Stefan Dörfler e.h.
Member

Alexandra Habeler-Drabek e.h.
Member

David O`Mahony e.h.
Member

Maurizio Poletto e.h.
Member

IV. Management Report

ECONOMIC ENVIRONMENT AND BUSINESS DEVELOPMENT

Economic environment

After a robust rebound in 2021 economic growth slowed markedly in 2022 primarily on the energy supply shock resulting from the Russia-Ukraine war, fiscal measures to curb inflation and China's ongoing Covid restrictions. Inflation soared to multi-decade highs, leading to monetary policy tightening across the world. In addition, Covid remained a headwind to growth, even after most countries lifted restrictions on economic and social activities in the course of the year. Supply chain issues continued to impact the recovery of manufacturing production, albeit to a diminishing extent. Labour markets, on the other hand, remained robust. Overall, global real GDP increased by 3.4%, at the beginning of 2022 it had been forecast at 4.4%.

Among the world's advanced economies, both the United States and the eurozone saw declining real GDP growth rates. Economic effects of Russia's invasion of Ukraine, a short-lived hit from the Omicron wave, tighter financing conditions, declining real disposable income driven by fiscal normalisation and high inflation, all had an impact on the global economic performance.

The military conflict between Russia and Ukraine and resulting sanctions disrupted exports from the region for commodities like metals, food, oil and gas, pushing up inflation to levels not seen in decades. Against the backdrop of the high dependency of Austria and some core markets on Russian gas natural gas prices declined after summer due to high levels of gas storage and reduced supply from Russian gas. As a response to high inflation non euro central banks already started monetary tightening in 2021, the European Central Bank (ECB) followed in 2022. In addition, governments implemented measures such as price caps, subsidies and tax cuts. Similar to other advanced economies, labour markets in the eurozone remained very strong, with unemployment rates declining in most countries. Overall, the euro area economy grew by 3.5%.

Central banks have to cope with the trade-off – intensified by the ongoing geopolitical crisis – between fighting inflation and working to stabilise the economy, financial and public debt. To bring down persistently high inflation rates, the central banks issued clear signals and ended their previously expansionary monetary policies. After rates had been raised in a number of CEE countries and in the United Kingdom, the US Federal Reserve (Fed) likewise started its rate-hike cycle in mid-March. With some time lag, the European Central Bank (ECB) likewise, ended its zero-interest-rate policy after more than six years in July by embarking on its first-rate hike in 11 years. Overall, the ECB raised its benchmark rate four times to 2.5% at year-end and revised the terms of the targeted longer-term refinancing operations (TLTROs). Rising interest rates and higher volumes in its markets had a positive impact on Erste Group's net interest income.

Austria's economic performance was better than expected during the year, it outperformed the European Union average. Economic growth, visibly more pronounced in the first half of the year, was supported by almost all sectors of the economy, in particular transportation, hospitality, services and manufacturing. In most sectors, pre-pandemic levels were reached or even exceeded. Austria's well-developed tourism sector continued to recover as travel restrictions significantly eased. Trade was also a key contributor to this development. The second half of the year, however, saw an economic slowdown in Austria. Growth was significantly impacted by a decline in disposable income due to high inflation. In addition, supply chain disruptions had a negative impact on investments and industrial activity. While most Covid related measures expired during the year, the government launched support packages aimed at easing the effects of surging inflation. Measures included in particular tax benefits and one-off payments, such as climate bonuses. Austria's gas storage level increased rapidly and was among the highest in the European Union by the start of the winter. Inflation peaked in October at 11.0% while average inflation amounted to 8.6% in 2022. The Austrian labour market proved its resilience once again, the unemployment rate stood at 4.8% and the number of registered long-term unemployed people by the end of 2022 was the lowest since 2014. Overall, the Austrian economy grew by 4.7%.

The Central and Eastern European economies also performed better than expected. Growth expectations were upgraded during the year including countries with – prior to the Russian-Ukrainian war – heavy dependencies from Russian gas, such as the Czech Republic, Slovakia or Hungary. Romania and Croatia, on the other hand, which rely significantly less on Russian natural gas, achieved the highest growth rates in the region. Household consumption, which was one of the main drivers of the economic growth, slowed down visibly in the second half of the year. Despite supply chain disruptions, exports grew dynamically. The automotive sector, with its significant volume of backlogs, contributed visibly to economic growth. Croatia was supported by the rebound of its tourism sector.

Inflation rates continued to climb throughout the year, with many of the CEE countries exceeding 15% in autumn. In response to soaring prices, central banks moved forward with monetary tightening. Key interest rates went up by more than 3% points in the Czech Republic, almost 5% points in Romania and Poland and 15% points in Hungary. Monetary conditions were also affected through other tools such as reduction of balance via FX intervention in case of the Czech Republic or stricter liquidity management and higher reserve requirements in case of Hungary. Labour markets remained very robust in the region, with unemployment rates at or close to historically low levels in most of the CEE countries. Czech Republic and Hungary were among the countries with the lowest unemployment rates in the European Union. CEE governments introduced a range of measures to support households and businesses. These measures included a cap on electricity prices or direct energy subsidies. Windfall profits taxes were also introduced in a number of CEE countries, such as Hungary and Croatia. As for the currency market, the Hungarian forint clearly underperformed regional peers, weakening more than 10% in 2022. Other CEE currencies, such as the Romanian leu or the Czech korona remained broadly stable against the euro. On 1 January 2023, Croatia became the 20th member of the eurozone. Overall, CEE economies achieved GDP growth rates ranging from 1.7% in Slovakia to 6.1% in Croatia in 2022.

The economic development of 2022 is reflected in the income statement – above all in the position income from securities and participating interest respectively income/expenses from allowances of securities that are valued as financial assets, as well as on investments and shares in affiliated companies – and is described in the subchapter Details on Earnings.

Analysis of business development

Notes on the balance sheet development

The balance sheet total as of 31 December 2022 increased by 15.0% from EUR 84.6 billion to EUR 97.3 billion compared to year-end 2021. The individual positions developed as follows:

The item cash in hand, balances with central banks decreased by 9.9% from EUR 18.9 billion to EUR 17.0 billion, which was mainly attributable to a reduced cash balance as well as a lower demand deposit with central banks. Purchases of fixed assets led to a 16.9% increase to EUR 6.3 billion (previous year: EUR 5.4 billion) in public-sector debt instruments. The 18.5% increase in loans and advances to credit institutions from EUR 22.9 billion in the previous year to EUR 27.2 billion resulted from higher balances with credit institutions, which was only partially offset by sales of unlisted securities in foreign currencies from the trading portfolio. Primarily new business with domestic and foreign customers in euro increased loans and advances to customers by 21.3% to EUR 23.1 billion compared to year-end 2021 (previous year: EUR 19.1 billion). Debt Securities and other fixed-income securities increased by 88.5% from EUR 4.8 billion to EUR 9.1 billion compared to the previous year, on the one hand caused by EUR 2.5 billion more repurchased listed own issues (due to an increased need for collaterals) and on the other hand due to higher listed bond holdings of foreign banks in fixed assets. The book values of participating interests and shares in affiliated companies remained stable compared to the previous year, decreasing by only 1.8% from EUR 8.6 billion to EUR 8.4 billion as of 31 December 2022. Other assets of EUR 4.3 billion (previous year: EUR 3.3 billion) increased by 32.2%, which was mainly due to the 24.8% increase in receivables from derivative products, which now account for 81.8% (previous year: 86.7%) of the item.

The 6.2% increase in liabilities to credit institutions to EUR 38.1 billion (previous year: EUR 35.9 billion) is mainly due to a higher business volume in connection with repurchase agreements. The main reason for the 40.1% increase in the item liabilities to customers from EUR 7.8 billion to EUR 10.9 billion is the increase in time deposits of Erste Finance Delaware LLC by EUR 1.4 billion as well as further increases in foreign time deposits in EUR. Due to the increased issuance of bonds as well as repurchased listed own issues (increased need for collaterals), securitised liabilities increased by 31.1% to EUR 26.5 billion (previous year: EUR 20.2 billion). As the 25.4% decline in short positions (by EUR 0.2 billion) did not offset the 42.0% increase in derivatives (by EUR 1.0 billion), other liabilities rose by 23.0% to EUR 4.4 billion (previous year: EUR 3.6 billion). Due to scheduled redemptions, which were only partially offset by new issues, the supplementary and additional tier capital items decreased by 8.8% to EUR 6.4 billion (previous year: EUR 7.0 billion).

After applying the deductions and filters set out in the CRR, Tier 1 capital (CET 1 and AT1) amounted to EUR 11.2 billion (previous year: EUR 10.4 billion) and Common Equity Tier 1 capital (CET 1) to EUR 8.9 billion (previous year: EUR 8.2 billion). The eligible own funds of Erste Group Bank AG according to Part 2 of EU Regulation No 575/2013 (primarily core and supplementary capital) amounted to EUR 14.0 billion as of 31 December 2022 (previous year: EUR 13.6 billion). The Common Equity Tier 1 capital ratio (CET 1) was 22.7% (previous year: 23.7%) and the total capital ratio was 35.5% (previous year: 39.2%).

Details on Earnings

Net interest income of Erste Group Bank AG increased significantly by 68.8% to EUR 482.7 million (previous year: EUR 286.0 million). This was mainly due to a rising interest rate environment, which had a positive impact on the deposit and lending business. In addition, interest expenses for AT1 capital decreased by EUR 34.9 million due to early repayments in 2021. The significant increase in income from securities and participating interests by 166.9% to EUR 1,878.0 million (previous year: EUR 703.5 million) was mainly due to the distribution of Ceska sporitelna a.s., Erste Bank der oesterreichischen Sparkassen AG, Banca Comerciala Romana S.A. and Erste Bank Hungary Zrt - all affiliated companies. The fee and commission income and expenses increased by 8.4% from EUR 55.9 million in the previous year to EUR 60.6 million in the financial year 2022, which was mainly attributable to an improved lending business. Net profit or loss on financial operations turned around from EUR 14.2 million in income in the previous year to EUR 112.7 million in expenses in 2022, mainly due to losses from derivatives trading that could not be compensated with gains from foreign exchange, notes and coins trading. Other operating income increased by 48.4% to EUR 133.4 million (previous year: EUR 89.9 million). Overall, this resulted in a 112.4% improvement in operating income to EUR 2,442.0 million in 2022 (previous year: EUR 1,149.4 million).

In addition to fixed and variable salary costs and statutory levies, personnel expenses also include costs from long-term social provisions and expenses from the payment of pension fund contributions. Overall, personnel expenses recorded a marginal decrease of 1.0% to EUR 264.3 million (previous year: EUR 267.0 million) and thus remained almost at the same level as in the previous year.

The headcount of Erste Group Bank AG (part-time employees weighted proportionally) increased by 1.5% compared to 31 December 2021 and is as follows compared to the previous year:

	31 December 2022	31 December 2021
Domestic	**1,973.8**	**1,944.5**
Foreign branches	**59.0**	**58.0**
New York	22.0	22.0
Hong Kong	24.0	24.0
Berlin, Stuttgart	13.0	12.0
Total	**2,032.8**	**2,002.5**
thereof maternity/paternity leave	107.5	128.9

Other administrative expenses rose by 4.4% to EUR 281.0 million (previous year: EUR 269.2 million). This also includes rising energy costs as well as aid from Erste Group Bank AG for Ukraine. Significantly lower impairment losses led to a 16.6% reduction in depreciation and amortisation of property, plant and equipment and intangible assets from EUR 10.4 million to EUR 8.7 million. Other operating expenses increased by 146.9% to EUR 78.4 million (previous year: EUR 31.8 million) due to higher expenses for the Resolution Fund (due to increased covered deposits) and valuation effects from derivatives. Consequently, operating expenses increased by 9.3% to EUR 632.4 million (previous year's value: EUR 578.3 million).

After deducting total operating expenses from operating income, the operating result for the 2022 financial year was EUR 1,809.6 million (previous year: EUR 571.1 million). The cost/income ratio (operating expenses as a percentage of operating income) of 25.9% was significantly below the previous year's value of 50.3%. Due to the dividend effects mentioned above, this key figure is only comparable to a limited extent with the previous year.

Erste Group Bank AG reported net expenses for risk provisions on loans and advances of EUR 68.5 million (previous year: EUR 0.8 million) (including write-offs of loans and advances, netted with income from recoveries on written-off loans and advances). Due to the economic situation in 2022 and the related increase in energy prices, the risk management of Erste Group Bank AG decided to reclassify cyclical industries and energy-dependent companies affected by the Ukraine war to Stage 2. As a result, provisions were calculated in the amount of expected credit losses over the remaining lifetime, which led to a significant increase in risk provisions. The result from securities held as current assets (valuation and realized profit and loss) as well as from the items income and value adjustments on participations and securities held as fixed assets amounted to negative EUR 278.2 million in 2022 (previous year: positive EUR 995.8 million). The valuation expense of Additional Tier 1 bonds issued by subsidiaries was also reported in this item. Although these were purely interest-induced devaluations, this valuation effect was recognised as an expense, as these securities are not fixed-interest bonds and are therefore reported at the strict lower of cost or market principle in the balance sheet item A6. The positive result from the previous year was mainly due to the catch-up effect from the write-offs of investments in 2020 caused by the Covid 19 pandemic.

Consequently, the result from ordinary activities in 2022 is positive at EUR 1,463.0 million (previous year: EUR 1,566.1 million).

As Erste Group Bank AG received profit distributions - not resulting from operating income - extraordinary income amounted to EUR 4.8 million in the reporting year 2022 (previous year: EUR 15.6 million). In particular, the income from the current tax allocation contributed to positive taxes on income and earnings in the amount of EUR 145.7 million (previous year: EUR 202.1 million). In 2022, as in the previous year, there was a taxable profit, 75% of which was offset against tax loss carryforwards in accordance with the statutory regulation. For the remaining 25%, a current corporate income tax expense was recognised. Other taxes increased by EUR 20.9 million to EUR 22.3 million in 2022, as the bank levy in the previous year only amounted to the minimum amount due to the inclusion of the net loss for 2020.

After taking into account the allocation in reserves (see Appendix Chapter C point 23) of EUR 774.6 million (previous year: allocation EUR 1,094.6 million), the net profit of the year amounted to EUR 816.6 million (previous year: EUR 687.7 million).

Branches

Erste Group Bank AG maintains branches in New York, Hong Kong and Germany (Berlin and Stuttgart) that provide commercial lending to foreign banks, leasing companies and sovereign debtors as well as institutional sales. For further quantitative information, please refer to the notes, Chapter C point 46.

ANTICIPATED DEVELOPMENT AND RISKS OF BUSINESS

Long-term growth trends in CEE

In line with growing economic performances disposable income have risen significantly, in particular in the Czech Republic. In addition, most countries of Central and Eastern Europe have human resources that are at least equivalent to those of Western European countries and have labour markets that are considerably more flexible. These advantages are complemented by – on average – highly competitive export industries that benefit from wage costs that are low relative to workforce productivity and from investor-friendly tax and welfare systems.

A comparison of per capita private debt levels in Central and Eastern Europe with those of advanced economies reveals the gap that exists between these markets. Private debt levels, and particularly household debt, are substantially lower than in the advanced economies. Erste Group firmly believes that credit expansion accompanied by economic growth in this region will prove to be a lasting trend rather than a short-term process that has already peaked.

Over the upcoming 15 to 20 years, on average, the countries of the eastern part of the European Union are therefore expected to experience higher growth rates than the countries of Western Europe, even though periods of expansion may alternate with times of economic stagnation or even setbacks on this long-term path of sustainable growth.

Customer business in Central and Eastern Europe

Erste Group's banking business is mainly built on the business segments Retail, Corporate and Capital Markets.

Retail business

Erste Group's key business is the retail business, covering the entire spectrum from lending, deposit and investment products to current accounts and credit cards. Erste Group's core competence in retail banking has historical roots. In 1819, wealthy Viennese citizens donated funds to establish Erste Group's predecessor, the first savings bank in Central Europe. It was their aim to bring basic banking services such as safe savings accounts and mortgage loans to wide sections of the population. Today, the bank serves some 16.1 million customers in its markets and operates about 2,100 branches. Wealthy private clients, trusts and foundations are served by the bank's private banking staff and benefit from services that are tailored to the needs of this target group.

In addition, the bank uses and promotes digital distribution channels such as internet and mobile banking not only to meet the increasing importance of digital banking but to actively shape the digital future. George, Erste Group's digital platform, is already available in Austria, the Czech Republic, Slovakia, Romania, Croatia and Hungary. It will also be rolled out in Serbia.

Retail banking is attractive to Erste Group for a number of reasons: It offers a compelling business case that is built on market leadership, an attractive risk-reward profile and the principle of self-funding. In addition, it benefits from a comprehensive range of products that are simple and easy to understand and provide substantial crossselling potential. Erste Group takes advantage of these factors in all core markets and makes best use of its resulting position of strength by pursuing an omni-channel strategy. Erste Group's omni-channel approach integrates the various sales and communication channels. Customers decide on how, when and where they do their banking business. Contact centers serve as interfaces between digital banking and traditional branch business. These contact centers offer advice and sales, thus going far beyond the traditional help desk function.

In addition to the expansion of digital sales channels, the branch network remains an important component of the business strategy. Only a retail bank that offers modern digital services and operates an extensive distribution network is able to fund loans in local currency mainly from deposits made in the same currency. In short, Erste Group's retail banking model supports sustainable and deposit-funded growth even in economically more challenging times. Another positive factor is the diversification of the retail business across countries that are at differing stages of economic development, such as Austria, the Czech Republic, Romania, Slovakia, Hungary, Croatia and Serbia.

Corporate business
The second main business line, which also contributes significantly to Erste Group's earnings, is business with small and medium-sized enterprises, regional and multi-national groups and real estate companies. Erste Group's goal is to enhance relationships with its clients beyond pure lending business. Specifically, the bank's goal is for SMEs and large corporate customers to choose Erste Group as their principal bank and also route their payment transfers through the Group's banking entities and, in fact, regard Erste Group as their first point of contact for any kind of banking service.

Catering to their different requirements, Erste Group serves small and medium-sized enterprises locally in branches or separate commercial centres, while multinational groups are serviced by the Group Corporates' units. This approach permits Erste Group to combine industry-specific and product expertise with an understanding of regional needs and the experience of the bank's local customer relationship managers. In view of regulatory interventions, advising and supporting corporate customers in capital market transactions is becoming increasingly important.

Capital markets business
Client-driven capital markets activities are also part of the comprehensive portfolio of products and services that Erste Group offers to its retail and corporate customers. The strategic significance of the bank's centrally governed and locally rooted capital markets operations consists in supporting all other business areas in their dealings with the capital markets and, hence, in providing the bank's customers with professional access to the financial markets. Erste Group, therefore, views its capital markets business as a link between financial markets and its customers. As a key capital markets player in the region, Erste Group also performs important functions such as market making, capital market research and product structuring.

The capital markets business serves the needs of Erste Group's retail and corporate customers as well as those of government entities and financial institutions. Due to Erste Group's strong network in the eastern part of the European Union, the bank has a thorough understanding of local markets and customer needs. In Erste Group's capital markets business, too, the bank concentrates on core markets of the retail, SME and large corporate business: Austria, the Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia. For institutional customers, specialised teams have been established in Germany and Poland as well as in Hong Kong and New York that offer these customers a tailor-made range of products.

In many countries where Erste Group operates, the local capital markets are not yet as highly developed as in Western Europe or in the United States of America. Building more efficient capital markets in the region is another strategic objective of Erste Group's capital markets activities.

Outlook
Erste Group's goal for 2023 is to achieve a return on tangible equity (ROTE) in the range of 13 to 15%. Four key factors will support achievement of this goal: firstly, positive economic growth in all core markets (Austria, Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia) despite significant geopolitical and political risks, which, should they materialise, would likely negatively impact economic performance; secondly, an interest rate environment that is characterised by broadly stable central bank rates in such countries as the Czech Republic, Romania and Hungary, as well as euro zone interest rates that rise in line with market expectations (as per mid-February 2023); thirdly, a credit risk environment marked by low default rates as in 2022; and, finally, the continuous ability of Erste Group to innovate and successfully expand its digital offering. Assuming that these conditions are met, operating result and the cost/income ratio are projected to improve, putting Erste Group on a path to achieve its cost/income ratio target of approximately 52% by 2024.

The current expectation (as per mid-February 2023) by economists is for Erste Group's core markets to avoid recession in 2023 and, in fact, to post real GDP growth in the order of 0 to 3% in 2023. Inflationary pressures are expected to subside in 2023, following double digit-levels in 2022 as a result of exceptionally high energy prices. Continued strong labour markets should be supportive of economic performance in all of Erste Group's markets. Current account balances, which suffered significantly during 2022 on the back of exceptionally high energy prices, are expected to improve again in 2023 benefiting from a reversal in energy prices. Fiscal balances should likewise consolidate again after significant budget deficits in 2022. Public debt to GDP in all Erste Group markets is projected to be broadly stable, and hence remain materially below the euro zone average.

Against this backdrop, Erste Group expects net loan growth in the mid-single digits. Retail and corporate business should contribute in all markets of Erste Group towards the aim to grow in line with the banking markets. Loan growth as well as interest rate tailwinds, as detailed above, should result in an increase of net interest income of approximately 10%. The second most important income component – net fee and commission income – is expected to rise in the mid-single digits. As in 2022, positive growth momentum should again come from payment services and insurance brokerage fees, while additional contributions form asset management and securities business are dependent on a constructive capital markets environment. The net trading and fair value result, which suffered significantly in 2022 from negative valuation effects tied to strongly rising interest rates mostly in the CEE region but also in the eurozone, should normalise again in 2023 due to less steep interest rate increases in the eurozone. This, however, will depend substantially on the actual interest rate environment. The remaining income components are forecast to remain, by and large, stable. Overall, operating income should increase in 2023.
Operating expenses are expected to rise by 7-8%, and thus at a lower level than operating income – although this is dependent on the foreign-currency developments in the CEE region – resulting in a further cost/income ratio improvement compared to 2022.

Based on the robust macro outlook described above, risk costs should remain at a low level in 2023. While precise forecasting is hard at current low risk cost levels, Erste Group believes that in 2023 risk costs will be below 35 basis points of average gross customer loans.

Other operating result is expected to remain by and large unchanged in the absence of significant one-off effects. Assuming an effective group tax rate of below 20% and similar minority charges as in 2022, Erste Group aims to achieve a ROTE in the range of 13 to 15%. Erste Group's CET1 ratio is expected to remain strong. Consequently, Erste Group will propose a dividend of EUR 1.90 per share for the 2022 fiscal year to the 2023 AGM. In addition, Erste Group targets a share buy-back in a volume of up to EUR 300 million in 2023, subject to regulatory approval.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as global health risks and changes to the competitive environment. The evolving Russia-Ukraine conflict does not impact Erste Group directly, as it has no operating presence in those countries. Indirect effects, such as financial market volatility, sanctions-related knock-on effects or the emergence of deposit insurance or resolution cases cannot be ruled out, though. Erste Group is moreover exposed to non-financial and legal risks that may materialise regardless of the economic environment. Worse than expected economic development may put goodwill at risk.

Risk Management

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

Participation risk
Participation risk refers to the risk of potential value losses from providing equity, as current-value write-offs, capital losses from sales, omissions of dividends or decline of hidden reserves as well liability risks from letters of comfort or capital payment commitments. The majority of direct and indirect participations are fully consolidated in the group balance sheet and thus these risks are recorded ascertained. Consequently, potential risks of investments are usually covered by other types of risks and correspondingly considered in their monitoring and control methods.

The participations entered into by Erste Group Bank AG took place in line with the strategic objective to invest in retail banking whereby own experience and expertise could be contributed. In order to participate more in growth markets, geographic diversification was increased by investing in central and eastern European states. In order to reduce the political, legal and economic risks, the management focuses on countries within the EU or on potential EU candidate countries.

Risk management, including risk management objectives and -methods related to the use of financial instruments
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 were 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.

Business and industry strategies in 2022 were mainly influenced by the impact of geopolitical risks, the energy crisis and environmental, social and governance (ESG) factors. ESG is assessed as a material risk in the Group Risk Materiality Assessment, and the qualitative assessment of ESG factors and their effects on credit strategy became an integral part of Industry Strategy Assessments in 2022.

Potential ESG impacts on various economic activities are also covered by the ESG Factor Heatmap, which is implemented as a risk assessment and management tool to identify segments that could be exposed to high ESG risk factors in our home markets over the medium term.

ESG factors, in particular energy efficiency and physical risks, are also taken into account when assessing real estate collateral. For this purpose, the information from the energy certificates of buildings is systematically collected and stored. Progress in data collection is regularly monitored centrally for the Group.

To improve and uniformly record physical risks, cooperation with external provider was started in 2022, which can provide information on main categories of physical risk based on geocoordinates. In 2023, a project will be launched for the technical connection and management of external data, which will then be used centrally for various tasks such as reporting, stress testing and made available to local banks for real estate valuation. This minimizes manual queries and ensures a uniform database.

For credit risk, the most important risk category, Erste Group Bank AG applies the internal ratings-based (IRB) approach according to the Capital Requirements Regulation (CRR) and adopts this approach also for the assessment of economic capital requirements according to Pillar 2. Furthermore, all methods and processes affiliated with and necessary for this approach are applied. At Erste Group Bank AG, all essential internal models are validated annually and revised if necessary, whereby both observations made by the supervisory authorities and foreseeable future amendments to the legal requirements are taken into consideration.

The market risks in the trading book are backed by equity capital on the basis of an internal model. In order to hedge the market risk from balance sheet assets (bonds, repurchase agreements on the asset side) and liabilities (own issues), the bank uses interest swaps, currency swaps, credit derivatives and options as hedging instruments in micro-hedge relationships. Together with the hedged underlying transaction, these hedging instruments are recorded in the balance sheet as a valuation unit based on section 201 Commercial Code (UGB).

Value at risk values (confidence level 99%, equally weighted market data, holding period 1 day)

in EUR bzw. in EUR Tsd	Total	Interest	Credit spread	Currency	Shares	Commodity	Volatility
Dez 22							
Erste Group Bank AG	**4,329,998.79**	**4,272,934.00**	**-**	**979,779.00**	**1,582,710.30**	**210,566.00**	**1,063,663.00**
Banking Book	-	-	-	-	-	-	-
Trading Book	4,329,998.79	4,272,934.00	-	979,779.00	1,582,710.30	210,566.00	1,063,663.00
Dec 21							
Erste Group Bank AG	**4,330**	**4,273**	**-**	**980**	**1,583**	**211**	**1,064**
Banking Book	-	-	-	-	-	-	-
Trading Book	4,330	4,273	-	980	1,583	211	1,064

The requirements for the generation of valuation units are fulfilled by the fair value hedge accounting processes which are applied at Erste Group Bank AG. Details on these processes are presented in the notes to the financial statement, section C note 31.

In accordance with the Advanced Measurement Approach (AMA), operational risk for Erste Group Bank AG is backed by equity.

In order to provide a comprehensive overview of current and future risk and the cover pools of the Bank, the bank's risk-bearing capacity is determined by the Internal Capital Adequacy Assessment Process (ICAAP). The risk-bearing capacity provides regular updates on the risk profile and capital adequacy, forming the basis for defining and implementing any measures that may be necessary.

Erste Group Bank AG defines its risk strategy and risk appetite within the framework of the annual strategic planning process, during which adequate orientation of the risk, capital and results and earnings targets is ensured. Strategic limits and principles are defined for all types of risk on the basis of the RAS in the risk strategy. These limits and principles support the implementation of medium and long-term risk decisions. Risk Management governance ensures the comprehensive overview of all risk decisions and the proper execution of the risk strategy. Risk-reducing measures are carried out as part of the ordinary risk management process in order to make sure that the Group acts in accordance with the defined risk appetite.

Statements concerning value adjustments for credit risks can be found in Annex section C note 33 and concerning off-balance sheet risk items in Annex section C note 34 of this financial statement. Litigations are dealt with in Annex section A (Ongoing legal cases).

RESEARCH AND DEVELOPMENT

Erste Group Bank AG ´s business purpose is to provide banking services. The production process of a bank is therefore not connected with research and development in an industrial sense. However, development work impacts permanently the current business of the bank.

Digitalisation in Erste Group

The pace of digital transformation has accelerated considerably as a result of technological changes, demographic developments, regulatory interventions and also due to the pandemic in recent years. As a result, customer behaviour and customer expectations towards financial products have also changed significantly. Erste Group is convinced that digital banking business will continue to gain in importance and will be essential for the economic success in the long term and therefore fosters digital innovation. Intra-group, interdisciplinary teams develop innovative solutions with the aim to digitalise banking products end-to-end including associated processes (e.g. onboarding of corporate customers).

Erste Group’s digital strategy is based on its own digital platform, George, including digital market places (ecosystem). It aims at providing customers access to personalised products from Erste Group and also third-party suppliers through application programming interfaces (APIs) in the secure IT environment of a financial platform. APIs enable a wide range of co-operations, whether with fintechs, start-ups or across industries, and can therefore help open up new markets and attract new customers.

The digital platform George was implemented for retail customers in Austria in 2015. In the meantime, it is also running in the Czech Republic, Slovakia, Romania, Croatia and Hungary and is actively used by almost 9 million customers. It will also be rolled out in Serbia. The range of digitally available products and services is being constantly expanded. Customers can activate applications of Erste Group or third parties via plug-ins and use them to manage their finances. In 2022, George reached another evolutionary level. George Business was implemented for corporate customers in Austria, and it will be rolled out in the local banking subsidiaries, by 2024 in Romania and the Czech Republic. It aims at offering group-wide an outstanding digital user experience across all customer segments on one platform.

REPORTING ON MATERIAL CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE ACCOUNTING PROCESS

Internal Control System Framework Requirements

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

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

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

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

Control environment

The control environment provides the framework for the introduction, implementation and monitoring of IKS principles, procedures and measures. The management board of Erste Group Bank AG is responsible for the establishment, structure and application of an appropriate internal control and risk management system that meets the company's needs in its group accounting procedures.

The Code of Conduct provides orientation for all employees of Erste Group, defines mandatory rules for day-to-day business life, describes the corporate values, affirms the obligation to act responsibly as a company and ensures compliance with legal provisions and internal guidelines (compliance).

The awareness of potential compliance issues and a sustainable risk culture enable risks to be identified quickly and well-considered decision-making when dealing with existing regulations. The main component of the risk culture are internal guidelines and, above all, open communication in order to create the broadest possible awareness of all employees for all risks that Erste Group is confronted with.

Accounting AT & Group Statutory Reporting, which are part of Group Accounting, coordinate and verify the final accounts' compilation for Erste Group Bank AG. The assignment of powers, the process description and the necessary control procedures are defined in the operating instructions.

Risk assessment and controls measures

The main risk in the financial reporting procedures is that errors or deliberate action (fraud) prevent facts from adequately reflecting the company's financial position and performance. This is the case if the data provided in the financial statements and notes is essentially inconsistent with the correct figures, i.e. whenever, alone or in aggregate, they are apt to influence the decisions made by the users of financial statements. Such a decision may incur serious damage, such as financial loss, the imposition of sanctions by the banking supervisor or reputational harm.

The relevant units are obliged to comply with the accounting and measurement principles that are applicable for capturing, posting and accounting transactions and laid out in the operating instructions relating to the UGB and in the IFRS Accounting Manual. The basic components of the internal control system (IKS) at Erste Group Bank AG are:

_ controlling as a permanent financial/business analysis (e.g. comparison of target and actual data between accounting and controlling) and control of the company and/or individual corporate divisions.

_ systemic, automatic control systems and measures in the formal procedure and structure, e.g. programmed controls during data processing.
_ principles of functional separation and checks performed by a second person (the four-eye principle).

The areas of responsibility assigned to the individual positions are documented and are continuously updated. Special attention is paid to a functioning deputy regulation in order not to jeopardize the ability to meet deadlines if one person is absent. The annual financial statements including the management report are reviewed by the audit committee of the supervisory board and are also presented to the supervisory board for approval. It is published in the Official Journal of Wiener Zeitung and finally filed with the Commercial Register.

Information and communication

In accordance with Austrian Commercial Code (UGB)/Austrian Banking Act (BWG), the final accounts are prepared in a standardized format and in compliance with the control measures described above. Before being passed on to the Audit Committee of the Supervisory Board, the financial statements to be published are submitted to the managers and CFO for approval. During the year the UGB-result is presented to the responsible board member (CFO) on a quarterly basis.

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

In addition, when introducing new core banking systems and implementing new products, accounting is in contact with the relevant departments in order to provide information at an early stage on accounting-specific aspects and implications for new product launches.

Monitoring

In order to monitor and at the same time support strong governance and risk management, Erste Group Bank AG applies three lines of defense to review the structures and processes that enable the achievement of the objectives for their effectiveness.

The first line of defense includes the business lines in which the department heads are responsible for monitoring including internal controls of their business areas. This line is in constant dialogue with the business areas and reports on planned, actual and expected results in connection with the goals of the organization as well as on risks.

The role of the second line of defense is covered by specific areas of expertise, in addition to providing expertise, support, monitoring and risk management tasks. At Erste Group, these activities are carried out by the departments Risk Management, BWG Compliance, WAG Compliance, Anti Money Laundering Prevention, Group Data and Reporting Governance and Group Security. Above all, the departments should support the business lines in the control steps, validate the actual controls, bring state-of-the-art practices into the organization and cover tasks related to risk management.

The third line of defense is responsible for providing independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. Internal Audit is in charge of auditing and evaluating all areas of the bank based on risk-oriented audit areas (according to the annual audit plan as approved by the management board and reported to the audit committee). The main focus of audit reviews is to monitor the completeness and functionality of the internal control system. Internal Audit has the duty of reporting its findings to the group’s management board, supervisory board and audit committee several times within one year.

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

HOLDINGS, PURCHASE AND SALE OF OWN SHARES

Holdings of own shares

the number of shares	Dec 22	Dec 21
Holding	-650,932	-339,293
Affiliated companies	1,568,971	1,623,493
thereof pledged	0	0

As of 31 December 2022, other liabilites include a short position in Erste Group Bank AG shares amounting to 650,932 units (prior year: 339,293 units) with a carrying amount of EUR 19,462,867.88 (prior year: carrying amount EUR 14,029 thousand), which is covered by securities lending deals.

The presentation of purchases and sales of own shares follows the disclosure requirements of the AktG.

Purchase of own shares

	Erste Group Bank AG				Affiliated companies of Erste Group Bank AG			
	Number of shares	Portion of share capital	Purchase price in EUR	Purchase intension	Number of shares	Portion of share capital	Purchase price in EUR	Purchase intension
January	29,621	59,242.00	1,284,297.17	Securities trading				
February					310,000	620,000.00	10,780,970.81	Core shareholder program
February	147,363	294,726.00	5,322,739.84	Securities trading				
March					427,833	855,666.00	12,263,175.85	Core shareholder program
March	283,266	566,532.00	8,651,852.10	Securities trading				
April					22,000	44,000.00	670,888.83	Core shareholder program
April	85,302	170,604.00	2,750,621.87	Securities trading				
May					797,681	1,595,362.00	22,458,092.93	Core shareholder program
May	892,100	1,784,200.00	26,780,689.30	Securities trading				
June					99,587	199,174.00	2,691,349.00	Core shareholder program
June	130,650	261,300.00	3,465,596.66	Securities trading				
July	86,900	173,800.00	2,087,795.31	Securities trading				
August					127,500	255,000.00	3,100,042.05	Core shareholder program
August	107,426	214,852.00	2,537,165.88	Securities trading				
August	1,419,948	2,839,896.00	33,585,904.21	Employee participation program				
September					20,000	40,000.00	496,000.00	Core shareholder program
September	886,946	1,773,892.00	22,602,639.10	Securities trading				
September	98,792	197,584.00	2,174,295.85	Employee participation program				
October	104,120	208,240.00	2,573,917.11	Securities trading				
November					270,000	540,000.00	7,633,652.76	Core shareholder program
November	186,383	372,766.00	5,286,848.92	Securities trading				
December					49,000	98,000.00	1,380,961.61	Core shareholder program
December	105,640	211,280.00	2,992,800.17	Securities trading				
Total	**4,564,457**				**2,123,601**			

The purpose of trading was in particular "market making" and hedging positions in the Austrian Stock Exchange Index (ATX).

The aim of the principal shareholder program is to strengthen the group structure and cooperation with the savings banks.

For further details on the employee share program, please refer to Chapter D Share-based payments.

Sale of own shares

	Erste Group Bank AG			Affiliated companies of Erste Group Bank AG		
	Number of shares	Portion of share capital	Selling price in EUR	Number of shares	Portion of share capital	Selling price in EUR
January	112,944	225,888.00	4,841,335.14			
February	196,320	392,640.00	6,802,296.66			
March	917,816	1,835,632.00	27,730,326.29			
April	29,588	59,176.00	957,957.54			
May	57,631	115,262.00	1,679,375.99	887,833	1,775,666.00	26,972,337.00
June	1,126,468	2,252,936.00	30,642,739.31			
July	102,987	205,974.00	2,460,272.29			
August	39,685	79,370.00	943,041.92	761,000	1,522,000.00	19,139,150.00
September	1,942,437	3,884,874.00	44,154,648.95			
October	61,258	122,516.00	1,483,579.37			
November	127,021	254,042.00	3,549,054.82			
December	161,941	323,882.00	4,666,574.43	529,290	1,058,580.00	15,418,217.70
Total	**4,876,096**	**9,752,192.00**	**129,911,202.71**	**2,178,123**	**4,356,246.00**	**61,529,704.70**

Erste Group Bank AG generated no capital gains (previous year: EUR 6 thousand) from the purchase and sale of its own shares in the long portfolio, which were recognized as an addition to the commited capital reserve. In course of the employee share program, Erste Group Bank AG recorded capital losses of EUR 2,513,867.38 (prior year: 0), which were reclassified to retained earnings.

CAPITAL, SHARE, VOTING AND CONTROL RIGHTS AND ASSOCIATED AGREEMENTS

The mandatory disclosure requirements of Section 243a (1) UGB are met as follows:

Capital structure and class of shares (No 1)

Subscribed capital on 31 December 2022 was EUR 859,600,000.00 (prior year: EUR 859,600 thousand), represented by 429,800,000 voting bearer shares (ordinary shares). For additional information reference is made to the notes, section C 20, respectively section A. General Information regarding details to the cross-guarantee scheme (Haftungsverbund).

Restrictions of voting rights and of the transfer of shares (No 2)

The Articles of Association do not contain any restrictions affecting voting rights or the transfer of shares.

In several shareholder agreements ERSTE Stiftung – which held together with its syndicate partners share of 24.16% as of 31 December 2022 (prior year: 22.25%), agreed with its syndicate partners the following: concerning the appointment of the members of the supervisory board the partners are obliged to vote as required by ERSTE Stiftung. The partners can dispose of shares according to a predefined sale procedure and can purchase shares only within the quotas agreed with ERSTE Stiftung (of a maximum of 3% per calendar year); with this regulation an unwanted creeping-in according to takeover law shall be prevented. In addition, the partners have committed themselves not to make a hostile takeover bid, nor to participate in a hostile takeover bid nor to act together with a hostile bidder in any other way.

Direct or indirect shareholdings amounting at least 10% (No 3)

Apart from ERSTE Foundation, the Management Board is not aware of any other direct or indirect shareholdings that amount to at least 10%. For additional information please refer to the notes to the financial statements, section A and section C 20.

Special rights of control associated with holding shares (No 4)

There are no shareholders with special control rights.

Voting rights control in the case of capital participation of employees (No 5)

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

pecial control rights, bodies and amendments of the articles of association (No 6)

This concerns:

_ Art. 15.1 of the Articles of Association, which provides that ERSTE Stiftung will be granted the right to nominate up to one third of the members of the Supervisory Board to be elected by the shareholders' meeting, as long as ERSTE Stiftung is liable for all present and future liabilities of the company in the case of its insolvency pursuant to Section 92 (9) Banking Act,

_ Art. 15.4 of the Articles of Association, which provides that a three-quarter majority of valid votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal are required to pass a motion for removal of Supervisory Board members, and

_ Art. 19.9 of the Articles of Association, which provides that the Articles of Association, in so far as they do not alter the business purpose, may be passed by simple majority of votes cast and simple majority of the subscribed capital represented at the shareholders meeting considering the amendment. Where higher majority votes are required by individual provisions of the Articles of Association, these provisions can only be amended with the same higher majority vote. Moreover, amendments to Art. 19.9 require a three-quarter majority of the votes cast and a three-quarter majority of the subscribed capital represented at the meeting considering the proposal.

Powers of the management board to issue and repurchase shares (No 7)

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

_ The Management Board is entitled to purchase up to 10% of the subscribed capital in treasury shares for trading purposes according to section 65 (1) (7) Austrian Stock Corporation Act (AktG). However, the trading portfolio of these shares may not exceed 5% of the subscribed capital at the end of any calendar day. The consideration for the shares to be purchased must not be less than 50% of the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase and must not exceed the closing price at the Vienna Stock Exchange on the last trading day prior to the purchase by more the 20%. This authorisation is valid for a period of 30 months, i.e. until 18 November 2023.

_ The Management Board is entitled, pursuant to section 65 (1) (8) as well as (1a) and (1b) Stock CorporationAct and for a period of 30 months from the date of the resolution, i.e. until 18 November 2023, to acquire own shares of up to 10% of the subscribed capital, subject to approval by the Supervisory Board, with the option of making repeated use of the 10% limit, either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment. The authorization may be exercised in whole or in part or in several instalments and in pursuit of one or several purposes. The market price per share must not be below EUR 2.00 or above EUR 120.00. Pursuant to section 65 (1b) in conjunction with sec. 171 Stock Corporation Act, the Management Board is authorised, from the date of the resolution, i.e. until 18 May 2026, on approval by the Supervisory Board, to sell or use the company's own shares, also by means other than the stock exchange or a public offering for any purpose allowed by the law, particularly as consideration for the acquisition and financing of the acquisition of companies, businesses, business divisions or shares in one or several businesses in Austria or abroad to the exclusion of the shareholders' proportional purchase option.

_ The Management Board is authorised to redeem shares without further resolution at the Annual General Meeting with the approval of the Supervisory Board.

_ According to section 65 (1) (4) as well as (1a) and (1b) Stock Corporation Act, the Management Board is authorised for the duration of 30 months following the date of resolution, hence until 18 November 2023, and with the approval of the Supervisory Board to purchase own shares at an amount equalling up to 10% of share capital of the company also under repeated utilisation of the 10% limit either at the stock exchange or over the counter, likewise to the exclusion of the shareholders' right to tender proportional payment for the purpose of granting shares for free or at concessionary terms to Erste Mitarbeiterbeteiligung Privatstiftung, their beneficiaries, employees, executive employees and members of the board at Erste Group Bank AG or of an affiliated undertaking or of any other undertaking pursuant to section 4d (5) (1) Income Tax Act. The authorisation may be exercised in whole or in part or in several installments and in pursuit of one or several purposes. The value per share may neither be lower than the floor value of two Euros nor higher than the ceiling of 120 Euros.

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

According to section 8.3 of the Articles of Association, the Management Board is authorized, until 18 May 2027 and with the approval of the Supervisory Board, to issue convertible bonds (including conditional compulsory convertible bonds according to section 26 Austrian Banking Act (BWG)), which grant subscription or conversion rights to the acquisition of company shares, while paying due consideration or excluding the subscription right of shareholders. The terms of issue can also set out a conversion obligation at the end of the term or at another point in time in addition or instead of subscription or conversion rights. The issue of convertible bonds may only take place to the extent that guarantees the fulfilment of agreed conversion or subscription rights and, in the case of a conversion obligation set out in the conditions of issue, the fulfilment of the corresponding conversion obligations from the conditional capital increase. Point 5.3 of the Articles of Association applies to the issue of convertible bonds with the exclusion of subscription rights. The issue amount, conditions or issue and the exclusion of shareholders' subscription rights are to be determined by the Management Board with consent of the Supervisory Board.

Significant agreements which become effective, are amended or are rendered ineffective when there is a change in the control of the company and their effects (No 8)

Cross-guarantee scheme agreement

The agreement in principle of the cross-guarantee scheme (Haftungsverbund) provides for the possibility of early cancellation for good cause. Good cause, allowing the respective other contracting parties to cancel the agreement, is deemed to exist if:

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

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

Directors & Officers-Insurance

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

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

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

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

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

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

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

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

Indemnification agreements (No 9)

There are no indemnification agreements in accordance with § 243a (1) Z 9 UGB.

CLAIM PURSUANT TO SECTION 243B COMMERCIAL CODE (UGB)

Non-financial reporting for Erste Group Bank AG pursuant to Section 243b of the Commercial Code (UGB) is published together with the Group's separately consolidated non-financial report in the financial statement of Erste Group. The separate non-financial report is disclosed in the financial statement on the homepage at www.erstegroup.com/ir.

EVENTS AFTER BALANCE SHEET DATE

For events of particular importance that occurred after the end of the fiscal year, please refer to the notes, Chapter C point 48.

GLOSSARY

CEE (Central and Eastern Europe)
English abbreviation also commonly used in German applied to the economic area of Central and Eastern Europe. Includes the new EU member states from expansion in 2004 and 2007 as well as the successor states to Yugoslavia and the Soviet Union and Albania.

Cost-Income Ratio
Operating expenses as a % of the operating income.

Common Equity Tier 1 Capital Ratio
Common Equity Tier 1 capital (CET1) according to Article 50 CRR expressed in % of the total risk amount according to Article 92 (3) CRR.

Erste Group Bank AG
Erste Group Bank AG as single corporation.

Erste Group
Erste Group as group of affiliated companies.

Forbearance
Concessions to the debtor due to financial difficulties.

Operating Expenses
Sum of general administrative expenses, value adjustments in respect of assets items 9 and 10 as well as other operating expenses.

Operating Income
Sum of net interest income, net commissions income, income from securities and participating interests, net profit or loss on financial operations and other operating income.

Operating Result
Operating income less operating expenses.

Return on Assets
The annual net profit before allocation to reserves divided by the average balance sheet total (average of the last 5 quarterly cut-off dates).

Return on Tangible Equity (ROTE)
Results from profit or loss for the year after tax before changes in reserves divided by the average equity adjusted for intangible assets. The average is calculated on the basis of quarterly final values.

Risk Appetite Statement (RAS)
The RAS is a strategic explanation that describes the maximum risk that a company is prepared to take to achieve its goals.

Tier 1 Capital Ratio
Tier 1 Capital according to Article 25 CRR in % of the total risk amount according to Article 92(3) CRR.

Total Capital Ratio
The total eligible own capital according to Article 72 CRR expressed in % of the total risk amount according to Article 92 (3) CRR.

Vienna, 28 February 2023

Management Board

Willibald Cernko e.h.
Chairman

Ingo Bleier e.h.
Member

Stefan Dörfler e.h.
Member

Alexandra Habeler-Drabek e.h.
Member

David O`Mahony e.h.
Member

Maurizio Poletto e.h.
Member

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

V. Auditors’ Report

REPORT ON THE FINANCIAL STATEMENTS

Audit Opinion

The Sparkassen-Prüfungsverband (Prüfungsstelle) and PwC Wirtschaftsprüfung GmbH, Vienna, – hereinafter referred to as “we” – have audited the financial statements of Erste Group Bank AG, Vienna, which comprise the balance sheet as of December 31, 2022, the income statement for the fiscal year then ended, and the notes.

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the Company as of December 31, 2022, and of its financial performance for the fiscal year then ended in accordance with the Austrian Company Code and the special legal requirements.

Basis for Opinion

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

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

Key Audit Matters

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

We have structured key audit matters as follows:

- Description
- Audit approach
- Reference to related disclosures

Impairments of Loans and Advances to Customers (expected credit losses)

Description

Impairments of Loans and Advances represent management's best estimate of the credit losses expected with respect to the loan portfolio at balance sheet date. The calculation of impairments is carried out in line with the AFRAC 14 (June 2021) by using the IFRS 9 model in the Austrian Company Code (UGB).

For loans and advances to customers in the amount of EUR 23 billion, measured at amortized cost, Erste Group Bank AG has recognized credit loss allowances in the amount of EUR 0,3 billion as of December 31, 2022 to cover impairments. Due to the underlying assumptions and estimates, determining expected credit losses is inherently subject to substantial judgement applied by management.

Erste Group Bank AG has implemented internal guidelines and specific processes to estimate expected credit losses. These processes rely significantly on quantitative and qualitative criteria and involve management judgement.

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

Collectively assessed impairments

_ For non-defaulted loans, impairments are determined collectively and, provided no significant increase in credit risk has occurred, correspond to the expected credit losses in the event of default within the next 12 months. In the event of a significant increase in the credit risk of non-defaulted loans, impairments are determined in the amount of the expected loss over the remaining maturity. Similarly, expected losses over the remaining maturity are determined for those non-impaired loans and advances to which no credit risk could be assigned at the time of initial recognition due to missing data at the time of IFRS 9 transition (2018).
_ For defaulted loans and advances with a comparable risk profile that are considered not to be individually significant, expected credit losses are collectively assessed as well.
_ The collectively assessed expected credit losses are calculated considering default probabilities, forward-looking information and parameters that reflect the expected cash flows as well as the expected proceeds from the realization of collateral. The parameters are estimated based on statistical models.

Impairments not collectively assessed

_ For defaulted loans and advances considered to be significant at customer level, expected credit losses are determined on a case-by-case basis. These impairments are calculated considering scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral.

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

The uncertainty inherent in the estimation of impairments of loans and advances, in particular the consideration of future economic conditions, have increased significantly due to the geopolitical and economic developments of 2022. By the end of the financial year, effects of these developments are not reflected in the model results to the extent that can be expected.

Erste Group Bank AG has taken this into account on two levels:

_ On the one hand, customer groups that are potentially particularly affected by the negative economic developments were identified based on expert-based criteria. For these customer groups, it is examined whether there has been a significant increase in credit risk (overlays). Details on the methodology of the applied overlays are presented in the notes under the sub-item "Impairments for default risks"
_ In the case of forward-looking information included in the modelling of expected credit losses, Erste Group Bank AG takes into account the increased uncertainty about future economic developments by adjusting the macroeconomic assumptions and giving a high weighting to the downside scenario used.

Due to

_ the substantial judgement to be applied by the management in designing the overlays and determining and weighting macro-economic future scenarios,
_ a high degree of uncertainty of future economic developments, which led to a high degree of the auditor judgement,
_ the complexity of models and interdependent assumptions and the resulting audit effort and
_ the volume of risk provisions

we identified this area to be a key audit matter.

Audit Approach

To assess the appropriateness of impairments of loans and advances to customers, we:

_ updated our understanding of the Expected Credit Loss calculation methodology applied by Erste Group Bank AG based on policies, documentation and interviews and assessed its compliance with the requirements of IFRS 9. We focused on adjustments to methods and processes made in order to capture the increased uncertainties of the present and future environment in expected credit losses.
_ evaluated the control activities in credit risk management and lending business processes and tested key controls, in particular with respect to the approval of loans, ongoing monitoring and the early warning system as well as the processes around the early identification of default, as well as understood and evaluated the assessment of unlikeness to pay (“UTP”).
_ evaluated control activities and tested key controls in the area of rating models and collateral valuation.
_ evaluated model governance and validation processes and critically reviewed the information brought to the attention of the management. We evaluated, with the support from our credit risk modelling experts, the results of back-testing and model validations.

- examined and critically assessed the appropriateness of credit risk parameters and models, taking into account possible structural breaks in the observable data, and assessed the plausibility of expectations and estimates made on the basis of such biases, to identify significant increases in the credit risk of individual customers or groups of customers.
- assessed the correctness of the stage allocation for selected portfolios based on applicable policies.
- analyzed sensitivities and impacts of IFRS 9 specific model aspects.
- evaluated whether key components of the calculation of expected credit losses are correctly incorporated in the models by performing walkthroughs and reviewing steering tables.
- assessed the correctness of the expected credit loss calculation for selected portfolios.
- evaluated the adequacy and plausibility of forward-looking information integrated into the estimates. In particular, we have compared the underlying macro-economic forecasts with external sources of information and critically assessed the individual weights attributed to scenarios.
- tested, on a sample basis, whether default events have been identified in accordance with applicable policies and evaluated whether events occurred that significantly affect the borrower's ability to repay loans and advances. Furthermore, we tested, on a sample basis, the adequacy of individual loan loss allowances assessing the scenarios adopted and the estimation of expected cash flows made.

Reference to related disclosures

For further details regarding the process of determining loss allowances as well as regarding the design of the models involved we refer to the management's disclosures under item B. Credit Loss Allowances.

Other Information

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

We obtained the corporate governance report in accordance with Section 243c UGB and the non-financial report according to Section 243b UGB prior to the date of this auditor`s report, all other parts of the annual report are expected to be made available to us after that date. Our opinion on the financial statements does not cover other information and we will not express any form of assurance thereon.

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

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

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Austrian Company Code and the special legal requirements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

We also:

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

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

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

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

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Company

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

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

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

Opinion

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

Statement

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

Additional Information in accordance with Article 10 of the EU Regulation

Pursuant to Sections 23 and 24 Austrian Savings Bank Act (SpG), the Sparkassen-Prüfungsverband (Prüfungsstelle) is the statutory auditor of Erste Group Bank AG, Vienna.

At the ordinary annual general meeting dated May 19, 2021 and pursuant to Section 1 (1) of the Auditing Rules for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2022 and, subsequently, was engaged by the supervisory board. At the ordinary annual general meeting dated May 18, 2022 PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2022 and, subsequently, was engaged by the supervisory board. Since 2017 PwC Wirtschaftsprüfung GmbH, Vienna, has constantly been appointed as additional auditor.

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

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

Responsible Engagement Partner

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

Vienna, February 28, 2023

Sparkassen-Prüfungsverband
Prüfungsstelle

(Bank Auditor)

MMag. Herwig Hierzer, MBA
Austrian Certified Public Accountant

Dr. Gregor Seisser, CFA
Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

Dipl.Kfm.Univ. Dorotea-E. Rebmann
Austrian Certified Public Accountant

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

VI. Statements of all members of the management board

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Vienna, 28 Februaray 2023

Management Board

Willibald Cernko e.h.
Chairman

Ingo Bleier e.h.
Member

Stefan Dörfler e.h.
Member

Alexandra Habeler-Drabek e.h.
Member

David O`Mahony e.h.
Member

Maurizio Poletto e.h.
Member