ERSTE
Group

Interim Report
First Quarter 2023

Key financial data

Income statement					
in EUR million	**Q1 22**	**Q4 22**	**Q1 23**	**1-3 22**	**1-3 23**
Net interest income	1,392.1	1,565.4	1,769.0	1,392.1	1,769.0
Net fee and commission income	615.3	622.5	642.7	615.3	642.7
Net trading result and gains/losses from financial instruments at FVPL	-16.9	57.9	35.3	-16.9	35.3
Operating income	2,036.2	2,299.9	2,498.7	2,036.2	2,498.7
Operating expenses	-1,235.2	-1,193.5	-1,242.0	-1,235.2	-1,242.0
Operating result	**801.0**	**1,106.4**	**1,256.7**	**801.0**	**1,256.7**
Impairment result from financial instruments	-59.1	-141.3	20.7	-59.1	20.7
Post-provision operating result	**741.9**	**965.1**	**1,277.3**	**741.9**	**1,277.3**
Other operating result	-132.7	-152.1	-274.3	-132.7	-274.3
Levies on banking activities	-40.2	-53.9	-99.1	-40.2	-99.1
Pre-tax result from continuing operations	610.1	808.3	1,003.2	610.1	1,003.2
Taxes on income	-115.6	-121.6	-185.6	-115.6	-185.6
Net result for the period	**494.5**	**686.7**	**817.6**	**494.5**	**817.6**
Net result attributable to non-controlling interests	45.7	169.0	224.0	45.7	224.0
Net result attributable to owners of the parent	**448.8**	**517.7**	**593.6**	**448.8**	**593.6**
Earnings per share	1.05	1.10	1.39	1.05	1.39
Return on equity	11.2%	11.2%	13.5%	11.2%	13.5%
Net interest margin (on average interest-bearing assets)	2.14%	2.25%	2.50%	2.14%	2.50%
Cost/income ratio	60.7%	51.9%	49.7%	60.7%	49.7%
Provisioning ratio (on average gross customer loans)	0.13%	0.28%	-0.04%	0.13%	-0.04%
Tax rate	18.9%	15.0%	18.5%	18.9%	18.5%

Balance sheet					
in EUR million	**Mar 22**	**Dec 22**	**Mar 23**	**Dec 22**	**Mar 23**
Cash and cash balances	46,225	35,685	43,305	35,685	43,305
Trading, financial assets	55,825	59,833	61,683	59,833	61,683
Loans and advances to banks	30,825	18,435	27,299	18,435	27,299
Loans and advances to customers	185,293	202,109	202,668	202,109	202,668
Intangible assets	1,337	1,347	1,335	1,347	1,335
Miscellaneous assets	6,106	6,456	6,631	6,456	6,631
Total assets	**325,610**	**323,865**	**342,921**	**323,865**	**342,921**
Financial liabilities held for trading	2,917	3,264	3,139	3,264	3,139
Deposits from banks	34,781	28,821	29,876	28,821	29,876
Deposits from customers	222,382	223,973	238,074	223,973	238,074
Debt securities issued	33,984	35,904	38,246	35,904	38,246
Miscellaneous liabilities	7,478	6,599	7,103	6,599	7,103
Total equity	24,068	25,305	26,483	25,305	26,483
Total liabilities and equity	**325,610**	**323,865**	**342,921**	**323,865**	**342,921**
Loan/deposit ratio	83.3%	90.2%	85.1%	90.2%	85.1%
NPL ratio	2.3%	2.0%	2.1%	2.0%	2.1%
NPL coverage ratio (based on AC loans, ex collateral)	91.9%	94.6%	94.3%	94.6%	94.3%
CET1 ratio (final)	13.7%	14.2%	14.0%	14.2%	14.0%

Ratings	Mar 22	Dec 22	Mar 23
Fitch			
Long-term	A	A	A
Short-term	F1	F1	F1
Outlook	Stable	Stable	Stable
Moody´s			
Long-term	A2	A2	A2
Short-term	P-1	P-1	P-1
Outlook	Stable	Stable	Stable
Standard & Poor´s			
Long-term	A+	A+	A+
Short-term	A-1	A-1	A-1
Outlook	Stable	Stable	Stable

Letter from the CEO

Dear shareholders,
Erste Group had a successful start to 2023, posting a net profit of EUR 593.6 million for the first quarter primarily on the back of a strong operating performance. Major trends of the previous year continued: strong earnings momentum based on rising net interest income, the continued positive development of net fee and commission income, a rise in costs – adjusted for one-off effects – that was within expectations and a continued benign credit risk environment in our core markets, which in the first quarter led to the net release of risk provisions. In view of this result, we have adjusted our outlook for 2023: based on loan growth of around 5% and higher interest rates in the euro zone, we now expect net interest income to increase by around 15% (previously around 10%). Even though we now forecast costs to go up by about 9% (previously 7-8%), driven by higher-than-expected wage settlements and FX appreciation, we expect a further improvement in the cost/income-ratio to around 51% for 2023. The benign risk environment supports an adjustment of expected risk costs to less than 25 basis points of average gross customer loans (rather than the previously expected maximum of 35 basis points).

Expectations regarding the economic environment are unchanged. Economic growth is generally projected to slow in 2023. Inflation in our core markets – at present still at an elevated level – should recede in the course of the year, largely helped by lower energy prices. With labour markets tight, wage costs are expected to keep rising, though. Overall, inflation has an adverse impact on consumer spending and investment activity. In the euro zone, policy rates are currently at 3.5%. In the CEE markets they range between 6% in Serbia and 13% in Hungary.

How did this macroeconomic environment impact our business in the first three months of the year? In the retail business, demand for mortgage loans remained subdued, with interest rates and regulatory restrictions curbing new business growth. There has nonetheless been the one or the other bright spot, though. In the Czech Republic, for example, new business volume rose for the first time in many quarters. Demand for consumer loans also picked up a little in the first quarter. Corporate lending did not replicate the strong performance of the previous year, mainly because of investment sentiment being depressed in the current economic environment. Overall, loans to customers (net) grew moderately, by 0.3%, to EUR 202.7 billion, supported by currency appreciation in the Czech Republic and Hungary. The 6.3% rise in customer deposits reduced the loan-to-deposit ratio to 85.1%. Talking about customer deposits: because of our business model, Erste Group has a sound deposit mix with a large proportion of stable deposits from retail customers and SMEs. Overall, retail deposit volume remained stable, which needs to be highlighted as a positive feature at times of increased inflationary pressure and the rising availability of higher-yielding investment alternatives. At the same time, deposit volume from corporate customers, including in particular large corporates, was up significantly, which last, but not least was attributable to the changed interest rate landscape, but also reflects strong customer trust.

When it comes to our strong operating result, the following points are worth noting: net interest income rose 27.1% year on year, driven primarily by the interest rate cycle in the euro zone, Hungary and Romania, but also larger loan volumes. The 4.4% rise in net fee and commission income was largely the result of higher income from payment services. Adjusted for one-off effects of the previous year, operating expenses were up by nearly 7%.

As of the end of March, Erste Group's capitalisation improved further with a common equity tier 1 ratio (final, pro forma) hitting 14.4% and thus substantially above our 13.5% target. If approved by the annual general meeting to be held on 12 May 2023, we will pay a dividend of EUR 1.9 per share for the 2022 financial year. In addition, Erste Group has applied for regulatory approval of a share buyback with a volume of up to EUR 300 million.

There is also news on the digital transition front. The number of digital users of our popular digital platform George and the number of digital transactions increased continuously, with approximately nine million users registered across the Group to date. Products purchased digitally already account for nearly 34%. More importantly, however, the launch of George Business is setting new standards in digital banking for corporate customers. Like George, George Business has been designed as a cross-national, cloud-based digital platform that enables corporate customers to handle their banking affairs even more efficiently and also on the go. George Business is available in Austria with immediate effect and will soon be rolled out in Central and Eastern Europe, in a country-by-country process.

At this point, I should like to take the opportunity to thank all employees for their efforts. Even with progressing digitalisation they contribute significantly to the successful implementation of our business strategy. Our customers and investors may rely on us to keep working together on further strengthening Erste Group's position in the CEE region.

Willi Cernko m.p.

Erste Group on the capital markets

EQUITY MARKET REVIEW

In the first quarter of 2023, developments in the financial markets were again affected by inflation and central bank policies. By taking restrictive measures and raising interest rates, central banks clearly signalled their intention to contain historically high inflation rates. As inflation was slightly declining but still at high levels, the Federal Reserve (Fed) and the European Central Bank (ECB) continued their rate hikes in the first quarter. In two hikes of 25 basis points each, the Fed brought its key interest rate to a range of 4.75 to 5.00%. The ECB raised its policy rate by another 50 basis points to 3.50%. At the end of April, policy rates ranged between 6.00% in Serbia and 13.00% in Hungary. In the Czech Republic and Romania they stood at 7.00%.

After the losses recorded in the previous year, the equity markets covered rebounded amid expectations of easing inflation scenarios. The insolvency of the US Silicon Valley Bank and the takeover of Credit Suisse by UBS heightened uncertainty in the financial markets, with bank shares suffering the most significant losses. The Dow Jones Euro Stoxx Banks Index, which is composed of the leading European bank shares had advanced by more than 20% by February, ended the first quarter at 101.95 points, up 6.4% year-to-date. The Dow Jones Industrial Average Index closed the reporting period nearly unchanged, up 0.4% at 33,274.15 points. At 4,109.31 points, the broader Standard & Poor's 500 Index was 7.0% higher than at year-end 2022. In Europe, the Euro Stoxx 600 Index gained 7.8%, ending the reporting quarter at 457.84 points. After Austrian equities had declined by 19.0% in the previous year, the Austrian Traded Index (ATX) recovered markedly early in the quarter, but in March lost most of the territory gained in lockstep with international equity markets. At the end of the quarter, the ATX was up 2.7% at 3,209.44 points.

SHARE PERFORMANCE

Moving with the markets, the Erste Group share likewise posted some significant initial gains. Additional momentum came from the better-than-expected 2022 annual results. The main focus of analysts and investors was on the development of the operating result, asset quality and risk costs as well as on the planned share buyback with a volume of up to EUR 300 million. The Erste Group share marked its lowest closing price of the first quarter at EUR 28.19 on 23 March and its highest at EUR 37.18 on 28 February. At the end of the first quarter, the Erste Group share was up 2.0% at EUR 30.50.

The Erste Group share is listed on the stock exchanges Vienna, Prague and Bucharest. Its main stock exchange is Vienna. In the quarter ended, trading volume there averaged 779,345 shares per day.

ISSUING ACTIVITIES

The first quarter was notable in particular for very strong activity in January, when a EUR 1 billion mortgage covered bond (6 years at MS+20 bps) opened the covered bonds segment for European issuers, followed soon after by a EUR 750 million Green Senior Preferred bond (8NC7 at MS+125 bps). In addition the first quarter was characterised by the successful completion of a number of private placements. After the market environment had clouded in March, Erste Group decided to issue another EUR 1 billion covered bond (4.5 years at MS+20 bps), thereby underlining Erste Group's strong position as issuer in the capital market. As a result of the said issues, Erste Group enjoys a comfortable liquidity position and is well ahead of its funding schedule. In the months ahead, the focus will be primarily on MREL-eligible instruments.

INVESTOR RELATIONS

In the first quarter of 2023, Erste Group's management and the investor relations team held a large number of one-on-one and group meetings, both in person and virtually, in which questions raised by investors and analysts were answered. The presentation of the 2022 annual result in Vienna was followed by an analysts' dinner and a road show day in London. Erste Group's strategy and performance were presented against the backdrop of the current environment at international banking and investor conferences hosted by JP Morgan, HSBC, UBS, PKO, Morgan Stanley, Citi, ING, Kepler Cheuvreux and Wood.

Interim management report

In the interim management report, financial results from January-March 2023 are compared with those from January-March 2022 and balance sheet positions as of 31 March 2023 with those as of 31 December 2022.

EARNINGS PERFORMANCE IN BRIEF

Net interest income increased to EUR 1,769.0 million (+27.1%; EUR 1,392.1 million) on the back of higher market interest rates – mainly in Austria, Hungary and Romania – as well as larger customer loan volume across all markets. **Net fee and commission income** rose to EUR 642.7 million (+4.4%; EUR 615.3 million). Growth was registered in nearly all core markets, most notably in payment services but also in asset management. **Net trading result** improved to EUR 116.7 million (EUR -256.6 million); the line item **gains/losses from financial instruments measured at fair value through profit or loss** declined to EUR -81.4 million (EUR 239.7 million). The development of these two line items was mostly attributable to valuation effects. **Operating income** increased to EUR 2,498.7 million (+22.7%; EUR 2,036.2 million). **General administrative expenses** were nearly unchanged at EUR 1,242.0 million (+0.6%; EUR 1,235.2 million). Personnel expenses were higher at EUR 697.5 million (+10.6%; EUR 630.7 million). The decline in other administrative expenses to EUR 408.6 million (-12.7%; EUR 468.1 million) was mainly due to the reduction of contributions to deposit insurance schemes to EUR 113.5 million (EUR 199.2 million). Most of the contributions expected for 2023 have already been posted upfront. In the first quarter of 2022, the Sberbank Europe deposit insurance case had resulted in higher expenses. Amortisation and depreciation amounted to EUR 135.9 million (-0.4%; EUR 136.4 million). Overall, the **operating result** increased markedly to EUR 1,256.7 million (+56.9%; EUR 801.0 million). The **cost/income ratio** improved to 49.7% (60.7%).

The **impairment result from financial instruments** amounted to EUR 20.7 million or 4 basis points of average gross customers loans (EUR -59.1 million or 13 basis points). Positive contributions came from net releases of provisions for commitments and guarantees in nearly all segments as well as from income from the recovery of loans already written off, most notably in Austria and the Czech Republic. In the first quarter, there were neither updates on forward-looking economic indicators (FLIs) nor any application of stage overlays. Overall, crisis-induced performing risk provisions stood unchanged at approximately EUR 900 million as of end of March. The **NPL ratio** based on gross customer loans was almost unchanged at 2.1% (2.0%). The **NPL coverage ratio** (excluding collateral) stood at 94.3% (94.6%).

Other operating result amounted to EUR -274.3 million (EUR -132.7 million). Expenses for annual contributions to resolution funds included in this line item already for the full year of 2023 rose – most notably in Austria – to EUR 138.1 million (EUR 123.1 million). Banking levies – currently payable in two core markets – increased to EUR 99.1 million (EUR 40.2 million). Thereof, EUR 89.5 million were charged in Hungary: in addition to regular banking tax of EUR 18.8 million (EUR 18.0 million), a windfall profit tax of EUR 53.3 million based on the preceding year's net revenues was posted (both likewise upfront for the full year of 2023). The windfall tax for the previous year (EUR 49.9 million) had been posted only in the second quarter of 2022. Hungarian transaction tax for the first quarter amounted to EUR 17.4 million (EUR 14.1 million). In Austria, banking tax equaled EUR 9.6 million (EUR 8.1 million). In addition, other operating result was adversely affected by valuation effects.

Taxes on income amounted to EUR 185.6 million (EUR 115.6 million). The rise of the minority charge to EUR 224.0 million (EUR 45.7 million) was attributable to significantly better results from the savings banks – primarily due to higher net interest income. The **net result attributable to owners of the parent** rose to EUR 593.6 million (EUR 448.8 million) on the back of the strong operating result and the net release of risk provisions.

Total equity not including AT1 instruments rose to EUR 24.2 billion (EUR 23.1 billion). After regulatory deductions and filtering in accordance with the Capital Requirements Regulation (CRR), **common equity tier 1 capital** (CET1, final) rose to EUR 20.5 billion (EUR 20.4 billion), total **own funds** (final) to EUR 26.4 billion (EUR 26.2 billion). Interim profit for the first quarter of the year is not included in the above figures. Total risk (**risk-weighted assets** including credit, market and operational risk, CRR final) rose to EUR 146.2 billion (EUR 143.9 billion). The **common equity tier 1 ratio** (CET1, final) stood at 14.0% (14.2%), the **total capital ratio** at 18.0% (18.2%).

Total assets increased to EUR 342.9 billion (+5.9%; EUR 323.9 billion). On the asset side, cash and cash balances were up at EUR 43.3 billion (EUR 35.7 billion), loans and advances to banks rose to EUR 27.3 billion (EUR 18.4 billion), most notably in Austria and the Czech Republic. **Loans and advances to customers** have risen only moderately year to date, to EUR 202.7 billion (+0.3%; EUR 202.1 billion), as demand for corporate loans – a major growth driver over long periods in the previous year – remained subdued. On the liability side, deposits from banks grew to EUR 29.9 billion (EUR 28.8 billion). **Customer deposits** rose in nearly all core markets – most strongly in Austria and the Czech Republic – to EUR 238.1 billion (+6.3%; EUR 224.0 billion). The **loan-to-deposit ratio** stood at 85.1% (90.2%).

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 of mid-April 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.

The expectation by economists is for Erste Group's core markets to avoid recession in 2023 and, in fact, to post real GDP growth. 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 around 15%. 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 approximately 9% – and thus at a lower level than operating income –resulting in a further cost/income ratio improvement compared to 2022 to approximately 51%.

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 25 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 higher 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 filed an application seeking regulatory approval of a share buy-back in a volume of EUR 300 million in 2023.

Potential risks to the guidance include (geo)political and economic (including monetary and fiscal policy impacts) developments, regulatory measures as well as 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.

PERFORMANCE IN DETAIL

in EUR million	1-3 22	1-3 23	Change
Net interest income	1,392.1	1,769.0	27.1%
Net fee and commission income	615.3	642.7	4.4%
Net trading result and gains/losses from financial instruments at FVPL	-16.9	35.3	n/a
Operating income	2,036.2	2,498.7	22.7%
Operating expenses	-1,235.2	-1,242.0	0.6%
Operating result	**801.0**	**1,256.7**	**56.9%**
Impairment result from financial instruments	-59.1	20.7	n/a
Other operating result	-132.7	-274.3	>100.0%
Levies on banking activities	-40.2	-99.1	>100.0%
Pre-tax result from continuing operations	**610.1**	**1,003.2**	**64.4%**
Taxes on income	-115.6	-185.6	60.6%
Net result for the period	**494.5**	**817.6**	**65.3%**
Net result attributable to non-controlling interests	45.7	224.0	>100.0%
Net result attributable to owners of the parent	**448.8**	**593.6**	**32.3%**

Net interest income

Net interest income rose significantly. The increase was due to higher customer loan volumes in all markets as well as higher market rates, most notably in Austria, Hungary and Romania. In the Czech Republic, net interest income was negatively impacted by higher interest expenses on deposits. The net interest margin (calculated as the annualised sum of net interest income, dividend income and net result from equity method investments over average interest-bearing assets) widened markedly to 2.50% (2.14%).

Net fee and commission income

Growth was achieved across nearly all core markets. Significant rises were recorded in payment services driven by a larger number of transactions and price increases in nearly all segments. Income from asset management continued its positive trend.

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

Net trading result as well as the line item gains/losses from financial instruments measured at fair value through profit or loss are materially affected by the fair value measurement of debt securities issued. The related valuation is shown in the fair value result, the valuation of corresponding hedges in the net trading result.

Due to valuation effects resulting from interest rate developments in the derivatives business, net trading result turned positive at EUR 116.7 million (EUR -256.6 million). Gains/losses from financial instruments measured at fair value through profit or loss trended in the opposite direction and deteriorated to EUR -81.4 million (EUR 239.7 million). While the valuation of debt securities in issue resulted in losses, gains were posted from the valuation of the securities portfolio in Austria (in the Savings Banks segment) and the loan portfolio measured at fair value in Hungary.

General administrative expenses

in EUR million	1-3 22	1-3 23	Change
Personnel expenses	630.7	697.5	10.6%
Other administrative expenses	468.1	408.6	-12.7%
Depreciation and amortisation	136.4	135.9	-0.4%
General administrative expenses	**1,235.2**	**1,242.0**	**0.6%**

General administrative expenses remained almost stable. **Personnel expenses** increased in all core markets, most significantly in Austria, the Czech Republic and Romania. The decline in **other administrative expenses** is attributable to lower contributions to deposit insurance schemes of EUR 113.5 million (EUR 199.2 million). In Hungary, expenses dropped to EUR 6.9 million (EUR 32.2 million), in Austria to EUR 77.8 million (EUR 133.0 million), which was primarily due to the fact that in the comparative period contributions had been higher because of a deposit insurance case (Sberbank Europe). In Slovakia, contributions were reduced to EUR 2.4 million (EUR 9.9 million). In the remaining cost categories, including IT, office space and marketing, expenses were up. The cost/income ratio improved to 49.7% (60.7%).

Headcount as of end of the period

	Dec 22	Mar 23	Change
Austria	**15,790**	**15,938**	**0.9%**
Erste Group, EB Oesterreich and subsidiaries	8,687	8,831	1.7%
Haftungsverbund savings banks	7,103	7,107	0.1%
Outside Austria	**29,696**	**29,624**	**-0.2%**
Česká spořitelna Group	10,010	10,032	0.2%
Banca Comercială Română Group	5,430	5,489	1.1%
Slovenská sporiteľňa Group	3,585	3,574	-0.3%
Erste Bank Hungary Group	3,352	3,335	-0.5%
Erste Bank Croatia Group	3,319	3,232	-2.6%
Erste Bank Serbia Group	1,260	1,293	2.6%
Savings banks subsidiaries	1,507	1,523	1.1%
Other subsidiaries and foreign branch offices	1,233	1,146	-7.0%
Total	**45,485**	**45,562**	**0.2%**

Impairment result from financial instruments

The impairment result from financial instruments amounted to EUR 20.7 million (EUR -59.1 million). Net allocations to provisions for loans and advances declined to EUR 35.9 million (EUR 71.8 million). Positive contributions came from income from the recovery of loans already written off in Austria and in the Czech Republic in the amount of EUR 18.4 million (EUR 21.4 million). Net releases of provisions for commitments and guarantees amounted to EUR 35.4 million (net allocation of EUR 6.4 million).

Other operating result

Other operating result is significantly affected by contributions to resolution funds and taxes and levies on banking activities. Contributions to resolution funds rose to EUR 138.1 million (EUR 123.1 million), most significantly in Austria to EUR 74.8 million (EUR 53.9 million). Contributions declined in the Czech Republic, Romania, Hungary, and Croatia. Taxes and levies on banking activities increased to EUR 99.1 million (EUR 40.2 million). Thereof, EUR 9.6 million (EUR 8.1 million) were payable by Austrian entities. In Hungary, banking levies rose to a total of EUR 89.5 million (EUR 32.1 million): in addition to the regular Hungarian banking tax of EUR 18.8 million (EUR 18.0 million), a windfall tax based on the previous year's net revenues was posted in the amount of EUR 53.3 million (both upfront for the full year 2023). For the 2022 financial year, this windfall tax in the amount of EUR 49.9 million was charged only in the second quarter. Financial transaction tax amounted to EUR 17.4 million (EUR 14.1 million). The line item was further adversely affected by the higher valuation of the Hungarian subsidiary, which on account of a minority shareholder's put option resulted in a valuation loss in the reporting period. The balance of allocations/releases of other provisions declined to EUR 2.5 million (EUR 18.0 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Financial results from the first quarter of 2023 are compared with those from the fourth quarter of 2022.

in EUR million	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Income statement					
Net interest income	1,392.1	1,444.9	1,548.2	1,565.4	1,769.0
Net fee and commission income	615.3	599.5	615.1	622.5	642.7
Dividend income	2.4	17.7	2.8	6.2	6.3
Net trading result	-256.6	-275.9	-316.0	69.9	116.7
Gains/losses from financial instruments measured at fair value through profit or loss	239.7	277.1	226.5	-12.0	-81.4
Net result from equity method investments	3.0	5.1	6.2	3.8	4.6
Rental income from investment properties & other operating leases	40.2	42.1	41.3	44.2	40.9
Personnel expenses	-630.7	-663.9	-672.5	-700.8	-697.5
Other administrative expenses	-468.1	-249.6	-285.7	-352.8	-408.6
Depreciation and amortisation	-136.4	-136.6	-137.7	-140.0	-135.9
Gains/losses from derecognition of financial assets at AC	-0.9	-29.9	-16.5	-4.7	-0.9
Other gains/losses from derecognition of financial instruments not at FVPL	1.9	0.1	-25.2	-0.1	1.1
Impairment result from financial instruments	-59.1	85.1	-184.3	-141.3	20.7
Other operating result	-132.7	-66.5	-47.3	-152.1	-274.3
Levies on banking activities	-40.2	-70.7	-22.3	-53.9	-99.1
Pre-tax result from continuing operations	**610.1**	**1,049.2**	**754.9**	**808.3**	**1,003.2**
Taxes on income	-115.6	-199.7	-119.3	-121.6	-185.6
Net result for the period	**494.5**	**849.5**	**635.6**	**686.7**	**817.6**
Net result attributable to non-controlling interests	45.7	161.3	125.6	169.0	224.0
Net result attributable to owners of the parent	**448.8**	**688.2**	**510.0**	**517.7**	**593.6**

Net interest income rose by 13.0%. Driven mainly by interest rate hikes, net interest income increased most markedly in Austria and Hungary. **Net fee and commission income** rose by 3.3%, most notably in the securities business in Austria.

The **net trading result** improved. A decline in foreign exchange trading was offset by positive valuation effects in derivatives trading. The worsening in **gains/losses from financial instruments measured at fair value through profit or loss** was primarily attributable to negative effects from the valuation of debt securities in issue. The gain from the valuation of the loan portfolio measured at fair value in Hungary declined to EUR 11.2 million (EUR 19.1 million). On the other hand, gains from the valuation of the securities portfolio in Austria (Savings Banks segment) were up.

General administrative expenses rose by 4.1%. While personnel expenses were 0.5% lower, other administrative expenses were up 15.8%, driven mainly by contributions to deposit insurance schemes, which – with the exception of Serbia – were posted upfront in the first quarter for the full financial year. The **cost/income ratio** stood at 49.7% (51.9%).

Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR 0.2 million (EUR -4.8 million). In the comparative period, this line item included primarily losses from the sale of fixed-income securities in the Czech Republic.

The improvement in the **impairment result from financial instruments** was attributable in particular to a decline in allocations to provisions for credit risks in Austria and net releases of provisions for commitments and guarantees.

Other operating result deteriorated mostly due to seasonal effects. Taxes and levies on banking activities amounted to EUR 99.1 million (EUR 53.9 million). Thereof, EUR 89.5 million (EUR 15.7 million) were charged in Hungary. In Austria, banking tax amounted to EUR 9.6 million (EUR 38.2 million). Other operating result also includes all contributions to resolution funds expected to be due in 2023 in the amount of EUR 138.1 million.

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 22	Mar 23	Change
Assets			
Cash and cash balances	35,685	43,305	21.4%
Trading, financial assets	59,833	61,683	3.1%
Loans and advances to banks	18,435	27,299	48.1%
Loans and advances to customers	202,109	202,668	0.3%
Intangible assets	1,347	1,335	-0.9%
Miscellaneous assets	6,456	6,631	2.7%
Total assets	**323,865**	**342,921**	**5.9%**
Liabilities and equity			
Financial liabilities held for trading	3,264	3,139	-3.8%
Deposits from banks	28,821	29,876	3.7%
Deposits from customers	223,973	238,074	6.3%
Debt securities issued	35,904	38,246	6.5%
Miscellaneous liabilities	6,599	7,103	7.6%
Total equity	25,305	26,483	4.7%
Total liabilities and equity	**323,865**	**342,921**	**5.9%**

Cash and cash balances amounted to EUR 43.3 billion (EUR 35.7 billion). **Trading and investment securities** held in various categories of financial assets increased to EUR 61.7 billion (EUR 59.8 billion).

Loans and advances to credit institutions (net), including demand deposits other than overnight deposits, grew – primarily in Austria and in the Czech Republic – to EUR 27.3 billion (EUR 18.4 billion). **Loans and advances to customers (net)** moderately increased to EUR 202.7 billion (EUR 202,1 billion), most notably in the Czech Republic. Loan growth slowed largely as a result of declining demand for corporate loans, which previously had been a significant growth driver.

Loan loss allowances for loans to customers were stable at EUR 4.0 billion (EUR 4.0 billion). The **NPL ratio** – non–performing loans as a percentage of gross customer loans – stood almost unchanged at 2.1% (2.0%), the NPL coverage ratio (based on gross customer loans) at 94.3% (94.6%).

Financial liabilities – held for trading amounted to EUR 3.1 billion (EUR 3.3 billion). **Deposits from banks**, primarily in the form of term deposits including EUR 15.2 billion (EUR 15.6 billion) carrying amount of TLTRO III funds, rose to EUR 29.9 billion (EUR 28.8 billion); **deposits from customers** increased to EUR 238.1 billion (EUR 224.0 billion) due to strong growth in term deposits of large corporates and financial institutions. The **loan-to-deposit ratio** stood at 85.1% (90.2%). **Debt securities in issue** increased to EUR 38.2 billion (EUR 35.9 billion).

Total assets rose to EUR 342.9 billion (EUR 323.9 billion). **Total equity** increased to EUR 26.5 billion (EUR 25.3 billion). This includes AT1 instruments in the amount of EUR 2.2 billion. After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR), **common equity tier 1 capital** (CET1, CRR final) rose to EUR 20.5 billion (EUR 20.4 billion) as did total **own funds** (CRR final) to EUR 26.4 billion (EUR 26.2 billion). The interim profit for the first quarter of the year is not included in the above figures. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR final) – increased to EUR 146.2 billion (EUR 143.9 billion).

The **total capital ratio**, total eligible qualifying capital in relation to total risk, was well above the legal minimum requirement at 18.0% (18.2%). The **tier 1 ratio** stood at 15.5% (15.8%), the **common equity tier 1 ratio** at 14.0% (14.2%). All ratios are CRR final and do not take into account the interim profit of the first quarter.

BUSINESS DEVELOPMENT IN THE CORE MARKETS

January-March 2023 compared with January-March 2022

The tables and information below provide a brief overview of the development in the core markets by geographical segments (operating segments) focusing on selected and summarized items. For more details please see Note 28 Segment reporting. At www.erstegroup.com/investorrelations additional information is available in Excel format.

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

AUSTRIA

Erste Bank Oesterreich & Subsidiaries

in EUR million	1-3 22	1-3 23	Change
Net interest income	160.2	273.0	70.4%
Net fee and commission income	121.2	126.5	4.4%
Net trading result and gains/losses from financial instruments at FVPL	0.8	1.6	91.3%
Operating income	294.3	415.1	41.0%
Operating expenses	-208.0	-201.1	-3.3%
Operating result	86.3	214.0	>100.0%
Cost/income ratio	70.7%	48.4%	
Impairment result from financial instruments	-9.7	1.9	n/a
Other result	-19.9	-26.5	33.4%
Net result attributable to owners of the parent	33.3	138.3	>100.0%
Return on allocated capital	6.3%	26.9%	

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

Net interest income increased due to higher customer loan and deposit volumes and market interest rates leading to significant repricing of the asset side, which was partially offset by repricing of liabilities and a shift of customer deposits to term deposits/savings accounts. Net fee and commission income rose mainly on the back of higher payment fees. Net trading result and gains/losses from financial instruments at FVPL remained stable. The decrease of operating expenses was mainly driven by a lower deposit insurance contribution of EUR 31.7

million (EUR 54.1 million) due to the Sberbank Europe deposit insurance case in the previous year offsetting higher personnel expenses. Overall, operating result went up and the cost/income ratio improved. Impairment result from financial instruments improved due to lower defaults and repayments from defaulted clients. Other result deteriorated mainly due to higher payments into the resolution fund of EUR 17.8 million (EUR 13.8 million) and lower real estate selling gains. Banking tax amounted to EUR 1.8 million (EUR 1.3 million). Overall, the net result attributable to owners of the parent increased.

Savings Banks

in EUR million	1-3 22	1-3 23	Change
Net interest income	273.2	442.9	62.1%
Net fee and commission income	155.4	167.4	7.7%
Net trading result and gains/losses from financial instruments at FVPL	-24.6	15.2	n/a
Operating income	415.1	637.3	53.5%
Operating expenses	-331.3	-319.0	-3.7%
Operating result	83.8	318.4	>100.0%
Cost/income ratio	79.8%	50.0%	
Impairment result from financial instruments	-11.1	-16.6	50.3%
Other result	-15.7	-19.1	22.1%
Net result attributable to owners of the parent	9.5	31.4	>100.0%
Return on allocated capital	3.1%	20.8%	

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

Net interest income increased due to higher loan volumes and higher market interest rates, partially offset by higher interest expenses from repriced customer deposits and shift from current accounts to term deposits and savings accounts. Net fee and commission income increased on the back of higher payment fees. Valuation effects led to the improvement of the net trading result and gains/losses from financial instruments at FVPL. Operating expenses decreased mainly due to lower payments into the deposit insurance fund of EUR 46.0 million (EUR 78.8 million due to the Sberbank Europe deposit insurance case), partially offset by higher personnel and IT expenses. Consequently, operating result as well as the cost/income ratio improved. Impairment result from financial instruments deteriorated due to higher defaults. Although payments into the resolution fund went up to EUR 15.2 million (EUR 12.0 million), other result remained stable. Banking tax increased to EUR 1.6 million (EUR 1.2 million). Overall, the net result attributable to the owners of the parent increased.

Other Austria

in EUR million	1-3 22	1-3 23	Change
Net interest income	152.4	147.1	-3.5%
Net fee and commission income	78.6	79.5	1.1%
Net trading result and gains/losses from financial instruments at FVPL	-8.3	9.9	n/a
Operating income	234.4	250.1	6.7%
Operating expenses	-86.1	-94.0	9.1%
Operating result	148.3	156.1	5.3%
Cost/income ratio	36.7%	37.6%	
Impairment result from financial instruments	-11.6	26.7	n/a
Other result	-2.2	-0.5	-77.6%
Net result attributable to owners of the parent	105.1	136.3	29.7%
Return on allocated capital	17.0%	20.6%	

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

Net interest decreased due to a lower contribution of money market and interest related derivatives in Group Markets business of the Holding, only partially compensated by the increase in corporate loan volumes. Net fee and commission income improved slightly due to higher lending fees in Corporate business of the Holding, partially offset by a lower contribution of securities fees in Group Markets. Net trading result and gains/losses from financial instruments at FVPL improved on valuation effects. Although operating expenses increased on the back of higher personnel and project related costs, operating result improved. The cost/income ratio deteriorated. The impairment result from financial instruments improved significantly due to releases in the corporate portfolio on improved ratings and increases in the level of collateralization. Other result improved due to litigation provisions release. Other result included the resolution fund contribution of EUR 2.3 million (EUR 1.4 million). Overall, the net result attributable to owners of the parent improved.

CENTRAL AND EASTERN EUROPE

Czech Republic

in EUR million	1-3 22	1-3 23	Change
Net interest income	358.2	315.1	-12.0%
Net fee and commission income	102.1	106.7	4.5%
Net trading result and gains/losses from financial instruments at FVPL	42.0	31.9	-24.0%
Operating income	502.8	456.7	-9.2%
Operating expenses	-216.3	-247.0	14.2%
Operating result	286.4	209.7	-26.8%
Cost/income ratio	43.0%	54.1%	
Impairment result from financial instruments	-14.6	-9.7	-33.4%
Other result	-39.6	-36.1	-9.0%
Net result attributable to owners of the parent	186.5	116.2	-37.7%
Return on allocated capital	21.4%	11.0%	

The segment analysis is done on a constant currency basis. The CZK appreciated by 3.5% against the EUR in the reporting period. Net interest income in the Czech Republic segment (comprising Česká spořitelna Group) decreased on the back of higher funding costs – customer deposits repricing combined with a shift of volumes from current accounts towards savings deposits. The increase in net fee and commission income was mainly driven by higher lending fees on lower expenses against the backdrop of slowed down mortgage lending. Valuation effects led to the reduction of net trading result and gains/losses from financial instruments at FVPL. Operating expenses increased mainly due to higher personnel and IT costs. Contributions into the deposit insurance fund rose to EUR 15.3 million (EUR 13.3 million). Overall, the operating result decreased and the cost/income ratio went up. Impairment result from financial instruments improved due to lower defaults, rating upgrades and recoveries of previously defaulted loans in corporate business. Other result improved on the release of provisions for commitments and guarantees Contributions to the resolution fund decreased to EUR 37.1 million (EUR 39.0 million). Altogether, these developments led to a decline in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-3 22	1-3 23	Change
Net interest income	105.8	124.2	17.5%
Net fee and commission income	44.1	50.1	13.6%
Net trading result and gains/losses from financial instruments at FVPL	5.1	4.7	-7.0%
Operating income	156.5	179.6	14.8%
Operating expenses	-80.8	-81.9	1.3%
Operating result	75.8	97.8	29.0%
Cost/income ratio	51.6%	45.6%	
Impairment result from financial instruments	-20.0	-2.2	-89.0%
Other result	-6.4	-8.3	28.0%
Net result attributable to owners of the parent	38.4	67.8	76.8%
Return on allocated capital	11.1%	18.4%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) increased due to higher customer volumes and market interest rates leading to a repricing of the asset side, which was only partially offset by the repricing of liabilities and higher expenses for issued bonds. Net fee and commission income increased on the back of higher income from lending, payment and insurance brokerage fees. Net trading result and gains/losses from financial instruments at FVPL remained stable. Operating expenses increased slightly as higher personnel and office space expenses were largely compensated by lower contributions into the deposit insurance fund of EUR 2.4 million (EUR 9.9 million). Consequently, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved mainly due to lower defaults in the Corporate business. The increased contribution to the resolution fund of EUR 7.0 million (EUR 6.0 million) led to a deterioration of the other result. Overall, the net result attributable to the owners of the parent increased.

Romania

in EUR million	1-3 22	1-3 23	Change
Net interest income	118.2	154.9	31.1%
Net fee and commission income	45.7	44.8	-2.1%
Net trading result and gains/losses from financial instruments at FVPL	30.1	27.9	-7.4%
Operating income	199.3	230.1	15.5%
Operating expenses	-95.4	-99.6	4.4%
Operating result	103.9	130.6	25.7%
Cost/income ratio	47.9%	43.3%	
Impairment result from financial instruments	-9.6	0.5	n/a
Other result	6.4	-19.0	n/a
Net result attributable to owners of the parent	83.8	93.6	11.8%
Return on allocated capital	19.7%	20.3%	

The segment analysis is done on a constant currency basis. The RON appreciated by 0.5% against the EUR in the reporting period. Net interest income in the Romania segment (comprising Banca Comercială Română Group) was positively impacted by higher market interest rates combined with higher business volumes. Net fee and commission income deteriorated as higher fees from lending business could not compensate lower payment and securities fees. The decrease of the net trading result and gains/losses from financial instruments at FVPL was attributable to lower contribution from FX business. Operating expenses went up mainly due to higher personnel expenses, while contributions to the deposit insurance fund decreased to EUR 5.8 million (EUR 9.3 million). Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved on rating upgrades and recoveries of previously defaulted loans. Other result deteriorated mainly on the non-recurrence of provision releases for non-financial guarantees. The contribution to the resolution fund amounted to EUR 10.6 million (EUR 11.7 million). Overall, the net result attributable to the owners of the parent increased.

Hungary

in EUR million	1-3 22	1-3 23	Change
Net interest income	92.3	147.6	59.9%
Net fee and commission income	54.9	56.8	3.6%
Net trading result and gains/losses from financial instruments at FVPL	-25.5	-32.5	27.2%
Operating income	123.6	174.6	41.3%
Operating expenses	-87.6	-66.2	-24.4%
Operating result	36.0	108.3	>100.0%
Cost/income ratio	70.9%	37.9%	
Impairment result from financial instruments	2.7	4.7	74.2%
Other result	-40.6	-96.5	>100.0%
Net result attributable to owners of the parent	-5.3	10.0	n/a
Return on allocated capital	-1.8%	2.6%	

The segment analysis is done on a constant currency basis. The HUF depreciated by 6.6% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) increased on the back of significantly higher interest rates supported by higher loan volumes and money market placements. Net fee and commission income rose on higher payment fees. Net trading result and gains/losses from financial instruments at FVPL deteriorated due to valuation effects. Operating expenses declined mainly on the back of the lower contribution to the deposit insurance fund of EUR 6.9 million (EUR 32.2 million, predominantly driven by the Sberbank Europe deposit insurance case). Consequently, both operating result and the cost/income ratio improved notably. Impairment result from financial instruments improvement was triggered by rating upgrades. The worsening of the other result was driven by higher regulatory charges: the banking tax rose to EUR 72.0 million (EUR 18.0 million), it included the regular banking tax and a windfall profit tax of EUR 53.0 million, both already for the full year 2023. Financial transaction tax went up to EUR 17.4 million (EUR 14.1 million). The contribution to the resolution fund decreased to EUR 5.2 million (EUR 7.9 million). Consequently, the net result attributable to the owners of the parent increased.

Croatia

in EUR million	1-3 22	1-3 23	Change
Net interest income	67.3	92.7	37.8%
Net fee and commission income	24.7	28.3	14.6%
Net trading result and gains/losses from financial instruments at FVPL	8.7	4.4	-50.0%
Operating income	102.9	127.5	23.9%
Operating expenses	-54.9	-65.3	18.8%
Operating result	48.0	62.3	29.7%
Cost/income ratio	53.4%	51.2%	
Impairment result from financial instruments	14.2	15.9	11.4%
Other result	-6.6	-4.0	-39.4%
Net result attributable to owners of the parent	31.6	41.7	32.3%
Return on allocated capital	16.4%	18.5%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased due to higher market interest rates and higher income from securities. Net fee and commission income went up due to higher payment and securities fees. Net trading result and gains/losses from financial instruments at FVPL deteriorated driven by lower foreign currency transactions as a result of EURO introduction. Operating expenses went up due to higher personnel and IT costs. Contribution into the deposit insurance fund rose to EUR 3.9 million (EUR 0.4 million). Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved because of higher releases due to ratings upgrades. Other result improved mainly on the lower resolution fund contribution of EUR 3.4 million (EUR 4.6 million) and lower provisions for litigations. Consequently, the net result attributable to the owners of the parent increased.

Serbia

in EUR million	1-3 22	1-3 23	Change
Net interest income	19.4	24.9	28.9%
Net fee and commission income	5.2	5.6	6.3%
Net trading result and gains/losses from financial instruments at FVPL	1.5	1.8	14.7%
Operating income	26.2	32.5	24.0%
Operating expenses	-15.8	-19.4	23.1%
Operating result	10.4	13.1	25.3%
Cost/income ratio	60.2%	59.7%	
Impairment result from financial instruments	0.8	0.2	-81.6%
Other result	-1.8	-0.4	-80.5%
Net result attributable to owners of the parent	7.6	10.4	37.8%
Return on allocated capital	14.5%	17.3%	

The segment analysis is done on a constant currency basis. The Serbian Dinar (RSD) appreciated by 0.2% against the EUR in the reporting period. Net interest income in the Serbia segment (comprising Erste Bank Serbia Group) increased due to higher loan volumes and market interest rates. Net fee and commission income went up on higher payment fees. The net trading result and gains/losses from financial instruments at FVPL remained largely stable. Operating expenses rose mainly due to higher personnel and IT costs. Deposit insurance contribution increased to EUR 1.3 million (EUR 1.2 million). Consequently, Operating result increased and the cost/income ratio improved. Impairment result from financial instruments worsened marginally on lower recoveries in Corporate business. Other result improved on lower provisions for legal expenses. Overall, the net result attributable to owners of the parent increased.

Condensed interim consolidated financial statements

Interim report – 1 January to 31 March 2023

Consolidated statement of income

in EUR thousand	Notes	1-3 22	1-3 23
Net interest income	1	1,392,104	1,768,959
Interest income	1	1,623,245	3,388,229
Other similar income	1	460,881	1,068,201
Interest expenses	1	-240,150	-1,412,110
Other similar expenses	1	-451,872	-1,275,361
Net fee and commission income	2	615,338	642,712
Fee and commission income	2	723,952	746,550
Fee and commission expenses	2	-108,615	-103,838
Dividend income	3	2,438	6,259
Net trading result	4	-256,602	116,683
Gains/losses from financial instruments measured at fair value through profit or loss	5	239,715	-81,416
Net result from equity method investments		3,009	4,610
Rental income from investment properties & other operating leases	6	40,240	40,915
Personnel expenses	7	-630,749	-697,513
Other administrative expenses	7	-468,053	-408,619
Depreciation and amortisation	7	-136,419	-135,916
Gains/losses from derecognition of financial assets measured at amortised cost	8	-927	-903
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	9	1,859	1,077
Impairment result from financial instruments	10	-59,142	20,661
Other operating result	11	-132,739	-274,342
Levies on banking activities	11	-40,199	-99,112
Pre-tax result from continuing operations		**610,071**	**1,003,167**
Taxes on income	12	-115,562	-185,586
Net result for the period		**494,509**	**817,581**
Net result attributable to non-controlling interests		45,661	223,970
Net result attributable to owners of the parent		**448,848**	**593,611**

Earnings per share

		1-3 22	1-3 23
Net result attributable to owners of the parent	in EUR thousand	448,848	593,611
Dividend on AT1 capital	in EUR thousand	0	0
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	448,848	593,611
Weighted average undiluted number of outstanding shares		426,264,158	427,968,044
Earnings per share	**in EUR**	**1.05**	**1.39**
Weighted average diluted number of outstanding shares		426,264,158	428,053,502
Diluted earnings per share	**in EUR**	**1.05**	**1.39**

Development of the number of shares

	1-3 22	1-3 23
Shares outstanding at the beginning of the period	405,434,710	407,175,838
Acquisition of treasury shares	-1,198,083	-1,048,371
Disposal of treasury shares	760,250	803,371
Shares outstanding at the end of the period	404,996,877	406,930,838
Treasury shares	24,803,123	22,869,162
Number of shares issued at the end of the period	**429,800,000**	**429,800,000**
Weighted average undiluted number of outstanding shares	426,264,158	427,968,044
Weighted average diluted number of outstanding shares	426,264,158	428,053,502

Consolidated statement of comprehensive income

in EUR thousand	1-3 22	1-3 23
Net result for the period	**494,509**	**817,581**
Other comprehensive income		
Items that may not be reclassified to profit or loss	**162,343**	**61,644**
Remeasurement of defined benefit plans	70,534	10,806
Fair value reserve of equity instruments	-5,643	-476
Own credit risk reserve	139,492	70,080
Deferred taxes relating to items that may not be reclassified	-42,041	-18,765
Items that may be reclassified to profit or loss	**-86,112**	**304,898**
Fair value reserve of debt instruments	-209,851	58,108
Gain/loss during the period	-208,637	55,831
Reclassification adjustments	-1,685	3,206
Credit loss allowances	472	-929
Cash flow hedge reserve	-33,648	39,231
Gain/loss during the period	-52,214	30,464
Reclassification adjustments	18,566	8,767
Currency reserve	106,567	224,029
Gain/loss during the period	106,567	224,029
Deferred taxes relating to items that may be reclassified	50,861	-16,170
Gain/loss during the period	54,389	-14,504
Reclassification adjustments	-3,528	-1,666
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	-42	-300
Total other comprehensive income	**76,231**	**366,542**
Total comprehensive income	**570,740**	**1,184,123**
Total comprehensive income attributable to non-controlling interests	34,324	237,029
Total comprehensive income attributable to owners of the parent	**536,416**	**947,094**

Quarterly results

in EUR million	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23
Income statement					
Net interest income	1,392.1	1,444.9	1,548.2	1,565.4	1,769.0
Interest income	1,623.2	1,884.9	2,312.8	2,801.8	3,388.2
Other similar income	460.9	552.6	698.1	905.9	1,068.2
Interest expenses	-240.2	-413.7	-728.1	-1,187.3	-1,412.1
Other similar expenses	-451.9	-578.9	-734.7	-955.1	-1,275.4
Net fee and commission income	615.3	599.5	615.1	622.5	642.7
Fee and commission income	724.0	708.8	728.2	727.7	746.5
Fee and commission expenses	-108.6	-109.3	-113.2	-105.3	-103.8
Dividend income	2.4	17.7	2.8	6.2	6.3
Net trading result	-256.6	-275.9	-316.0	69.9	116.7
Gains/losses from financial instruments measured at fair value through profit or loss	239.7	277.1	226.5	-12.0	-81.4
Net result from equity method investments	3.0	5.1	6.2	3.8	4.6
Rental income from investment properties & other operating leases	40.2	42.1	41.3	44.2	40.9
Personnel expenses	-630.7	-663.9	-672.5	-700.8	-697.5
Other administrative expenses	-468.1	-249.6	-285.7	-352.8	-408.6
Depreciation and amortisation	-136.4	-136.6	-137.7	-140.0	-135.9
Gains/losses from derecognition of financial assets at AC	-0.9	-29.9	-16.5	-4.7	-0.9
Other gains/losses from derecognition of financial instruments not at FVPL	1.9	0.1	-25.2	-0.1	1.1
Impairment result from financial instruments	-59.1	85.1	-184.3	-141.3	20.7
Other operating result	-132.7	-66.5	-47.3	-152.1	-274.3
Levies on banking activities	-40.2	-70.7	-22.3	-53.9	-99.1
Pre-tax result from continuing operations	**610.1**	**1,049.2**	**754.9**	**808.3**	**1,003.2**
Taxes on income	-115.6	-199.7	-119.3	-121.6	-185.6
Net result for the period	**494.5**	**849.5**	**635.6**	**686.7**	**817.6**
Net result attributable to non-controlling interests	45.7	161.3	125.6	169.0	224.0
Net result attributable to owners of the parent	**448.8**	**688.2**	**510.0**	**517.7**	**593.6**
Statement of comprehensive income					
Net result for the period	**494.5**	**849.5**	**635.6**	**686.7**	**817.6**
Other comprehensive income					
Items that may not be reclassified to profit or loss	**162.3**	**176.9**	**51.8**	**-150.9**	**61.6**
Remeasurement of defined benefit plans	70.5	91.7	43.1	-106.1	10.8
Fair value reserve of equity instruments	-5.6	-6.4	0.4	-21.4	-0.5
Own credit risk reserve	139.5	129.3	17.6	-47.0	70.1
Deferred taxes relating to items that may not be reclassified	-42.0	-37.7	-9.2	23.6	-18.8
Items that may be reclassified to profit or loss	**-86.1**	**-416.6**	**-85.0**	**228.2**	**304.9**
Fair value reserve of debt instruments	-209.9	-269.7	-113.1	32.1	58.1
Gain/loss during the period	-208.6	-266.7	-140.1	29.3	55.8
Reclassification adjustments	-1.7	0.3	25.4	0.7	3.2
Credit loss allowances	0.5	-3.3	1.6	2.2	-0.9
Cash flow hedge reserve	-33.6	-45.7	40.2	49.1	39.2
Gain/loss during the period	-52.2	-0.9	61.0	55.4	30.5
Reclassification adjustments	18.6	-44.8	-20.8	-6.3	8.8
Currency reserve	106.6	-160.6	-27.9	160.9	224.0
Gain/loss during the period	106.6	-160.6	-27.9	160.9	224.0
Deferred taxes relating to items that may be reclassified	50.9	59.5	15.9	-13.8	-16.2
Gain/loss during the period	54.4	51.0	16.8	-15.0	-14.5
Reclassification adjustments	-3.5	8.5	-0.9	1.1	-1.7
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	0.0	-0.1	-0.1	-0.1	-0.3
Total	**76.2**	**-239.7**	**-33.1**	**77.3**	**366.5**
Total comprehensive income	**570.7**	**609.8**	**602.4**	**764.0**	**1,184.1**
Total comprehensive income attributable to non-controlling interests	34.3	158.3	104.1	130.0	237.0
Total comprehensive income attributable to owners of the parent	**536.4**	**451.5**	**498.4**	**634.0**	**947.1**

Consolidated balance sheet

in EUR thousand	Notes	Dec 22	Mar 23
Assets			
Cash and cash balances	13	35,684,789	43,304,853
Financial assets held for trading		7,765,560	6,471,579
Derivatives	14	1,718,677	1,668,206
Other financial assets held for trading	15	6,046,883	4,803,372
Pledged as collateral		94,419	99,545
Non-trading financial assets at fair value through profit and loss	16	2,735,267	2,869,518
Pledged as collateral		0	0
Equity instruments		346,644	366,137
Debt securities		1,549,323	1,632,956
Loans and advances to customers		839,299	870,426
Financial assets at fair value through other comprehensive income	17	9,559,536	9,811,136
Pledged as collateral		698,497	348,200
Equity instruments		99,157	98,663
Debt securities		9,460,379	9,712,472
Financial assets at amortised cost	18	253,360,015	265,455,414
Pledged as collateral		1,760,916	4,145,497
Debt securities		40,611,716	43,400,818
Loans and advances to banks		18,435,476	27,299,245
Loans and advances to customers		194,312,823	194,755,352
Finance lease receivables	19	4,552,932	4,639,920
Hedge accounting derivatives	20	158,741	217,781
Fair value changes of hedged items in portfolio hedge of interest rate risk		-37,836	-35,371
Property and equipment		2,617,998	2,671,319
Investment properties		1,372,160	1,391,330
Intangible assets		1,347,143	1,335,439
Investments in associates and joint ventures		208,572	216,869
Current tax assets		108,939	105,188
Deferred tax assets		628,721	581,514
Assets held for sale		167,188	174,740
Trade and other receivables	21	2,403,677	2,402,358
Other assets	22	1,231,555	1,307,800
Total assets		**323,864,958**	**342,921,386**
Liabilities and equity			
Financial liabilities held for trading		3,263,683	3,139,231
Derivatives	14	2,626,452	2,504,607
Other financial liabilities held for trading	23	637,231	634,624
Financial liabilities at fair value through profit or loss		10,814,460	11,226,991
Deposits from customers		1,352,821	1,384,294
Debt securities issued	24	9,310,409	9,707,921
Other financial liabilities		151,230	134,776
Financial liabilities at amortised cost		278,932,459	295,891,561
Deposits from banks	25	28,820,800	29,876,042
Deposits from customers	25	222,619,717	236,690,163
Debt securities issued	25	26,593,433	28,538,205
Other financial liabilities		898,509	787,151
Lease liabilities		662,107	699,280
Hedge accounting derivatives	20	372,463	364,956
Provisions	26	1,676,010	1,857,195
Current tax liabilities		127,296	162,723
Deferred tax liabilities		15,569	18,801
Liabilities associated with assets held for sale		114,862	111,600
Other liabilities	27	2,581,311	2,966,037
Total equity		**25,304,739**	**26,483,010**
Equity attributable to non-controlling interests		5,957,142	6,188,064
Additional equity instruments		2,236,153	2,236,153
Equity attributable to owners of the parent		17,111,444	18,058,793
Subscribed capital		859,600	859,600
Additional paid-in capital		1,477,720	1,477,721
Retained earnings and other reserves		14,774,123	15,721,472
Total liabilities and equity		**323,864,958**	**342,921,386**

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remeasure-ment of defined benefit plans	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 2023	**860**	**1,478**	**16,324**	**-197**	**-264**	**-24**	**-594**	**-471**	**17,111**	**2,236**	**5,957**	**25,305**
Changes in treasury shares	0	0	-7	0	0	0	0	0	-7	0	0	-7
Dividends paid	0	0	0	0	0	0	0	0	0	0	-5	-5
Capital increase/decrease	0	0	0	0	0	0	0	0	0	0	0	0
Changes in scope of consolidation and ownership interest	0	0	0	0	0	0	0	0	0	0	-1	-1
Reclassification from other comprehensive income to retained earnings	0	0	2	0	0	-2	0	0	0	0	0	0
Share-based payments	0	0	7	0	0	0	0	0	7	0	0	7
Other changes	0	0	0	0	0	0	0	0	0	0	0	0
Total comprehensive income	0	0	594	32	42	54	224	2	947	0	237	1,184
Net result for the period	0	0	594	0	0	0	0	0	594	0	224	818
Other comprehensive income	0	0	0	32	42	54	224	2	353	0	13	367
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	2	2	0	6	8
Change in fair value reserve	0	0	0	0	42	0	0	0	42	0	7	49
Change in cash flow hedge reserve	0	0	0	32	0	0	0	0	32	0	0	32
Change in currency reserve	0	0	0	0	0	0	224	0	224	0	0	224
Change in own credit risk reserve	0	0	0	0	0	54	0	0	54	0	0	54
As of 31 March 2023	**860**	**1,478**	**16,919**	**-165**	**-222**	**28**	**-370**	**-470**	**18,059**	**2,236**	**6,188**	**26,483**
As of 1 January 2022	**860**	**1,478**	**14,933**	**-206**	**115**	**-207**	**-672**	**-538**	**15,761**	**2,236**	**5,516**	**23,513**
Changes in treasury shares	0	0	-13	0	0	0	0	0	-13	0	0	-13
Dividends paid	0	0	0	0	0	0	0	0	0	0	-5	-5
Capital increase/decrease	0	0	0	0	0	0	0	0	0	0	-2	-2
Changes in scope of consolidation and ownership interest	0	0	0	0	0	0	0	0	0	0	0	0
Reclassification from other comprehensive income to retained earnings	0	0	-1	0	0	2	0	0	0	0	1	2
Share-based payments	0	0	1	0	0	0	0	0	1	0	0	1
Other changes	0	0	0	0	0	0	0	0	0	0	1	1
Total comprehensive income	0	0	449	-27	-138	103	110	39	536	0	34	571
Net result for the period	0	0	449	0	0	0	0	0	449	0	46	495
Other comprehensive income	0	0	0	-27	-138	103	110	39	88	0	-11	76
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	39	39	0	23	62
Change in fair value reserve	0	0	0	0	-138	0	0	0	-138	0	-32	-170
Change in cash flow hedge reserve	0	0	0	-27	0	0	0	0	-27	0	0	-27
Change in currency reserve	0	0	0	0	0	0	110	0	110	0	-4	107
Change in own credit risk reserve	0	0	0	0	0	103	0	0	103	0	2	105
As of 31 March 2022	**860**	**1,478**	**15,368**	**-233**	**-23**	**-103**	**-562**	**-499**	**16,286**	**2,236**	**5,546**	**24,068**

Consolidated statement of cash flows

in EUR million	1-3 22	1-3 23
Net result for the period	**495**	**818**
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation and net impairment of non-financial assets	136	136
Net allocation to credit loss allowances and other provisions	59	-2
Gains/losses from measurement and derecognition of financial assets and financial liabilities	123	239
Other adjustments	169	107
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets held for trading	-377	1,321
Non-trading financial assets at fair value through profit and loss		
Equity instruments	-27	-19
Debt securities	9	-72
Loans and advances to banks	10	0
Loans and advances to customers	-26	-20
Financial assets at fair value through other comprehensive income: debt securities	-487	-212
Financial assets at amortised cost		
Debt securities	-1,955	-2,785
Loans and advances to banks	-9,834	-8,860
Loans and advances to customers	-4,916	-478
Finance lease receivables	12	-88
Hedge accounting derivatives	-10	-27
Other assets from operating activities	-328	-31
Financial liabilities held for trading	87	-313
Financial liabilities at fair value through profit or loss	121	359
Financial liabilities at amortised cost		
Deposits from banks	2,896	1,055
Deposits from customers	11,414	14,070
Debt securities issued	2,619	1,945
Other financial liabilities	-279	-111
Hedge accounting derivatives	10	-8
Other liabilities from operating activities	843	613
Cash flow from operating activities	**761**	**7,636**
Proceeds of disposal		
Investments in associates and joint ventures	0	-4
Property and equipment and intangible assets	28	46
Investment properties	4	1
Acquisition of		
Property and equipment and intangible assets	-71	-159
Investment properties	-2	-2
Cash flow from investing activities	**-40**	**-117**
Capital increases	-2	0
Capital decrease	0	0
Changes in ownership interests that do not result in a loss of control	0	-1
Dividends paid to non-controlling interests	-5	-5
Cash flow from financing activities	**-7**	**-6**
Cash and cash equivalents at the beginning of the period	**45,495**	**35,685**
Cash flow from operating activities	761	7,636
Cash flow from investing activities	-40	-117
Cash flow from financing activities	-7	-6
Effect of currency translation	15	107
Cash and cash equivalents at the end of period	**46,225**	**43,305**
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)	**1,094**	**1,901**
Payments for taxes on income	-157	-125
Interest received	2,069	4,695
Dividends received	2	6
Interest paid	-820	-2,675

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

Condensed notes to the interim consolidated financial statements 1 January to 31 March 2023

BASIS OF PREPARATION

The condensed consolidated interim financial statements ("interim financial statements") of the group of Erste Group Bank AG ("Erste Group") for the period from 1 January to 31 March 2023 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and are presented in accordance with the requirements of IAS 34 "Interim Financial Reporting".

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

BASIS OF CONSOLIDATION

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

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

As of 31 December 2022	**315**
Additions	
Entities newly added to the scope of consolidation	0
Disposals	
Companies sold or liquidated	-5
Mergers	0
As of 31 March 2023	**310**

ACCOUNTING AND MEASUREMENT METHODS

The interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and are presented in euro, which is the functional currency of the parent company. The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the interim financial statements should be read in conjunction with Erste Group's consolidated financial statements as of 31 December 2022.

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the group's last annual financial statements for the year ended 31 December 2022, with the exception of the calculation of the current income taxes for the interim reporting period for which the estimated effective tax rate for the group is applied.

1. Net interest income

in EUR million	1-3 22	1-3 23
Financial assets at AC	1,577.6	3,302.6
Financial assets at FVOCI	45.7	85.7
Interest income	1,623.2	3,388.2
Non-trading financial assets at FVPL	15.3	19.8
Financial assets HfT	363.1	1,022.6
Derivatives - hedge accounting, interest rate risk	-18.3	-31.5
Other assets	28.8	51.0
Negative interest from financial liabilities	72.0	6.3
Other similar income	460.9	1,068.2
Interest and other similar income	**2,084.1**	**4,456.4**
Financial liabilities at AC	-240.2	-1,412.1
Interest expenses	-240.2	-1,412.1
Financial liabilities at FVPL	-61.4	-78.9
Financial liabilities HfT	-361.5	-1,111.7
Derivatives - hedge accounting, interest rate risk	30.5	-71.4
Other liabilities	-5.8	-12.8
Negative Interest from financial assets	-53.5	-0.6
Other similar expenses	-451.9	-1,275.4
Interest and other similar expenses	**-692.0**	**-2,687.5**
Net interest income	**1,392.1**	**1,769.0**

In the reporting period an amount of EUR 24.8 million (EUR 21.6 million) relating to impaired financial assets is included in various line items of net interest income. In addition, the line item "Financial assets at AC" includes modification gains or losses of financial instruments which are allocated to the Stage 1 of EUR 9.8 million (EUR 7.4 million).

2. Net fee and commission income

	1-3 22		1-3 23	
in EUR million	Income	Expenses	Income	Expenses
Securities	88.8	-14.6	79.7	-14.0
Issues	13.7	-0.2	18.6	-0.2
Transfer orders	69.4	-11.4	56.2	-10.3
Other	5.7	-3.0	4.9	-3.5
Clearing and settlement	0.5	-0.9	0.4	-0.2
Asset management	132.4	-12.7	136.5	-12.4
Custody	31.4	-3.9	28.8	-3.7
Fiduciary transactions	0.4	0.0	0.4	0.0
Payment services	315.6	-58.2	343.3	-62.0
Card business	87.8	-38.9	100.4	-40.1
Other	227.8	-19.3	242.9	-21.9
Customer resources distributed but not managed	68.3	-1.8	66.9	-2.3
Collective investment	5.5	-0.5	5.3	-0.6
Insurance products	54.1	-0.2	54.7	-0.1
Foreign exchange transactions	8.1	-0.4	6.1	-0.5
Other	0.6	-0.7	0.7	-1.1
Structured finance	0.0	0.0	0.0	0.0
Servicing fees from securitization activities	0.0	-0.3	0.0	-0.2
Lending business	52.6	-9.4	59.8	-5.5
Guarantees given, guarantees received	21.6	-0.9	24.7	-1.2
Loan commitments given, loan commitments received	10.4	-0.2	12.3	-0.2
Other lending business	20.6	-8.3	22.8	-4.1
Other	34.0	-6.7	30.7	-3.6
Total fee and commission income and expenses	**724.0**	**-108.6**	**746.5**	**-103.8**
Net fee and commission income	**615.3**		**642.7**	

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

3. Dividend income

in EUR million	1-3 22	1-3 23
Financial assets HfT	0.6	0.4
Non-trading financial assets at FVPL	1.8	5.9
Financial assets at FVOCI	0.0	0.0
Dividend income	**2.4**	**6.3**

4. Net trading result

in EUR million	1-3 22	1-3 23
Securities and derivatives trading	-293.4	121.1
Foreign exchange transactions	45.1	4.2
Result from hedge accounting	-8.3	-8.6
Net trading result	**-256.6**	**116.7**

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

in EUR million	1-3 22	1-3 23
Result from measurement/sale of financial assets designated at FVPL	-10.6	1.7
Result from measurement/repurchase of financial liabilities designated at FVPL	329.2	-107.3
Result from financial assets and liabilities designated at FVPL	**318.6**	**-105.6**
Result from measurement/sale of financial assets mandatorily at FVPL	-78.9	24.2
Gains/losses from financial instruments measured at fair value through profit or loss	**239.7**	**-81.4**

6. Rental income from investment properties & other operating leases

in EUR million	1-3 22	1-3 23
Investment properties	25.7	29.1
Other operating leases	14.5	11.8
Rental income from investment properties & other operating leases	**40.2**	**40.9**

7. General administrative expenses

in EUR million	1-3 22	1-3 23
Personnel expenses	**-630.7**	**-697.5**
Wages and salaries	-487.9	-535.0
Compulsory social security	-121.4	-128.7
Long-term employee provisions	0.9	-2.1
Other personnel expenses	-22.4	-31.7
Other administrative expenses	**-468.1**	**-408.6**
Deposit insurance contribution	-199.2	-113.5
IT expenses	-121.9	-124.4
Expenses for office space	-45.8	-53.7
Office operating expenses	-32.7	-35.4
Advertising/marketing	-31.9	-36.5
Legal and consulting costs	-21.7	-26.8
Sundry administrative expenses	-14.9	-18.4
Depreciation and amortisation	**-136.4**	**-135.9**
Software and other intangible assets	-49.5	-45.5
Owner occupied real estate	-38.2	-41.3
Investment properties	-7.7	-7.2
Customer relationships	-1.9	-1.8
Office furniture and equipment and sundry property and equipment	-39.1	-40.0
General administrative expenses	**-1,235.2**	**-1,242.0**

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

in EUR million	1-3 22	1-3 23
Gains from derecognition of financial assets at AC	0.2	0.1
Losses from derecognition of financial assets at AC	-1.1	-1.0
Gains/losses from derecognition of financial assets measured at amortised cost	**-0.9**	**-0.9**

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

in EUR million	1-3 22	1-3 23
Sale of financial assets at FVOCI	1.7	-3.2
Sale of financial lease receivables	0.0	0.0
Derecognition of financial liabilities at AC	0.1	4.3
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**1.9**	**1.1**

10. Impairment result from financial instruments

in EUR million	1-3 22	1-3 23
Financial assets at FVOCI	-0.4	0.9
Financial assets at AC	-53.2	-15.2
Net allocation to credit loss allowances	-71.2	-35.5
Direct write-offs	-2.3	-2.2
Recoveries recorded directly to the income statement	20.0	18.1
Modification gains or losses	0.4	4.4
Finance lease receivables	0.8	-0.5
Net allocation to credit loss allowances	-0.6	-0.4
Direct write-offs	0.0	-0.3
Recoveries recorded directly to the income statement	1.4	0.2
Modification gains or losses	0.0	0.0
Credit loss allowances for loan commitments and financial guarantees given	-6.4	35.4
Impairment result from financial instruments	**-59.1**	**20.7**

11. Other operating result

in EUR million	1-3 22	1-3 23
Other operating expenses	**-194.7**	**-272.2**
Allocation to other provisions	-26.1	-31.9
Levies on banking activities	-40.2	-99.1
Banking tax	-26.1	-81.7
Financial transaction tax	-14.1	-17.4
Other taxes	-5.3	-3.1
Resolution fund contributions	-123.1	-138.1
Other operating income	**44.1**	**34.4**
Release of other provisions	44.1	34.4
Result from properties and equipment, investment properties and other intangible assets	6.4	1.4
Result from other operating expenses/income	11.5	-38.0
Other operating result	**-132.7**	**-274.3**

12. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 185.6 million (EUR 115.6 million), thereof EUR 17.3 million (EUR 6.9 million) deferred tax expense.

13. Cash and cash balances

in EUR million	Dec 22	Mar 23
Cash on hand	3,796	3,175
Cash balances at central banks	31,167	37,959
Other demand deposits at credit institutions	722	2,172
Cash and cash balances	**35,685**	**43,305**

14. Financial assets at amortised cost

Debt securities

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	Total	Carrying amount
Mar 23									
Central banks	15	0	0	15	0	0	0	0	15
General governments	35,030	91	0	35,121	-9	0	0	-9	35,112
Credit institutions	7,051	92	0	7,142	-4	-2	0	-5	7,137
Other financial corporations	244	41	1	286	0	-1	-1	-2	283
Non-financial corporations	685	173	4	862	-1	-3	-3	-7	855
Total	**43,024**	**396**	**5**	**43,425**	**-14**	**-6**	**-4**	**-24**	**43,401**
Dec 22									
Central banks	15	0	0	15	0	0	0	0	15
General governments	32,880	8	0	32,889	-9	0	0	-9	32,880
Credit institutions	6,505	91	0	6,596	-3	-2	0	-5	6,591
Other financial corporations	263	36	1	300	0	-1	-1	-2	298
Non-financial corporations	669	161	3	834	-1	-3	-2	-6	828
Total	**40,333**	**296**	**4**	**40,633**	**-13**	**-5**	**-3**	**-22**	**40,612**

There are no POCI assets in this balance sheet item as of 31 March 2023.

Loans and advances to banks

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	Total	Carrying amount
Mar 23									
Central banks	21,120	0	0	21,120	-1	0	0	-1	21,119
Credit institutions	6,026	163	0	6,189	-6	-3	0	-9	6,180
Total	**27,146**	**163**	**0**	**27,309**	**-7**	**-3**	**0**	**-10**	**27,299**
Dec 22									
Central banks	13,514	0	0	13,514	0	0	0	0	13,513
Credit institutions	4,859	69	0	4,928	-5	0	0	-6	4,922
Total	**18,373**	**69**	**0**	**18,441**	**-6**	**0**	**0**	**-6**	**18,435**

There are no POCI assets in this balance sheet item as of 31 March 2023.

Loans and advances to customers

in EUR million	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Credit loss allowances Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Mar 23											
General governments	7,466	501	47	2	8,015	-4	-18	-6	0	-28	7,988
Other financial corporations	4,396	829	100	10	5,336	-8	-18	-36	0	-62	5,273
Non-financial corporations	63,233	24,657	2,058	236	90,185	-159	-784	-1,047	-68	-2,059	88,125
Households	81,736	11,525	1,717	101	95,079	-159	-589	-941	-21	-1,710	93,369
Total	**156,832**	**37,512**	**3,921**	**349**	**198,614**	**-330**	**-1,409**	**-2,030**	**-90**	**-3,859**	**194,755**
Dec 22											
General governments	8,456	642	10	2	9,110	-4	-28	-1	0	-32	9,078
Other financial corporations	4,160	1,017	101	10	5,288	-8	-20	-37	0	-64	5,224
Non-financial corporations	63,081	24,039	2,084	238	89,443	-162	-773	-1,043	-65	-2,043	87,401
Households	80,691	11,821	1,689	100	94,301	-161	-594	-913	-22	-1,690	92,611
Total	**156,388**	**37,519**	**3,885**	**350**	**198,143**	**-335**	**-1,415**	**-1,994**	**-86**	**-3,830**	**194,313**

15. Trade and other receivables

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Mar 23											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	44	23	0	0	67	0	0	0	0	0	67
Credit institutions	38	2	0	0	40	0	0	0	0	0	40
Other financial corporations	57	10	0	0	67	0	0	0	0	0	67
Non-financial corporations	1,307	804	42	1	2,154	-7	-6	-31	-1	-45	2,109
Households	101	23	15	0	139	-2	-5	-13	0	-20	119
Total	**1,547**	**862**	**58**	**1**	**2,468**	**-9**	**-11**	**-45**	**-1**	**-65**	**2,402**
Dec 22											
Central banks	2	0	0	0	2	0	0	0	0	0	2
General governments	48	15	0	0	63	0	0	0	0	0	63
Credit institutions	43	2	0	0	44	0	0	0	0	0	44
Other financial corporations	87	8	0	0	95	0	0	0	0	0	95
Non-financial corporations	1,364	720	42	1	2,127	-7	-6	-31	-1	-45	2,082
Households	100	23	15	0	137	-2	-5	-12	0	-19	118
Total	**1,643**	**768**	**57**	**1**	**2,469**	**-9**	**-11**	**-44**	**-1**	**-65**	**2,404**

16. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 22	Mar 23
Overnight deposits	1,951	2,362
Term deposits	25,066	23,777
Repurchase agreements	1,803	3,737
Deposits from banks	**28,821**	**29,876**

Deposits from customers

in EUR million	Dec 22	Mar 23
Overnight deposits	**171,576**	**167,481**
Savings deposits	46,558	47,933
Other financial corporations	222	197
Non-financial corporations	2,050	2,687
Households	44,286	45,049
Non-savings deposits	125,018	119,548
General governments	7,070	8,463
Other financial corporations	7,991	6,903
Non-financial corporations	37,420	34,393
Households	72,537	69,789
Term deposits	**49,646**	**65,227**
Deposits with agreed maturity	43,331	59,972
Savings deposits	21,312	24,093
Other financial corporations	1,056	958
Non-financial corporations	1,813	2,623
Households	18,444	20,512
Non-savings deposits	22,019	35,880
General governments	3,967	4,949
Other financial corporations	4,605	12,990
Non-financial corporations	6,924	10,459
Households	6,523	7,481
Deposits redeemable at notice	6,315	5,254
General governments	5	6
Other financial corporations	118	136
Non-financial corporations	278	275
Households	5,913	4,838
Repurchase agreements	**1,398**	**3,983**
General governments	12	936
Other financial corporations	1,386	1,761
Non-financial corporations	0	1,286
Deposits from customers	**222,620**	**236,690**
General governments	**11,054**	**14,353**
Other financial corporations	**15,378**	**22,945**
Non-financial corporations	**48,485**	**51,724**
Households	**147,702**	**147,669**

The carrying amount of the TLTRO III liabilities as of 31 March 2023 was EUR 15.2 billion (EUR 15.6 billion).

Debt securities issued

in EUR million	Dec 22	Mar 23
Subordinated debt securities issued	2,945	2,988
Senior non-preferred bonds	1,667	1,698
Other debt securities issued	21,981	23,852
Bonds	7,308	8,661
Certificates of deposit	4,008	3,713
Other certificates of deposits/name certificates	121	116
Mortgage covered bonds	10,544	11,362
Debt securities issued	**26,593**	**28,538**

17. Financial assets at fair value through other comprehensive income

Equity Instruments

The carrying amount of Erste Group's equity instruments FVOCI as of 31 March 2023 amounted to EUR 98.7 million (EUR 99.2 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 55.1 million (EUR 55.6 million).

Debt Instruments

Debt securities

	Gross carrying amount				Credit loss allowances						
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Amortised cost	Accumulated OCI changes	Fair value
Mar 23											
Central banks	0	0	0	0	-1	0	0	-1	-1	1	0
General governments	7,157	241	0	7,398	-4	-7	0	-10	7,388	-252	7,136
Credit institutions	1,422	18	0	1,440	-2	0	0	-2	1,438	-53	1,385
Other financial corporations	197	99	1	297	0	-1	-1	-2	295	-14	281
Non-financial corporations	540	444	2	987	0	-8	0	-9	978	-68	910
Total	**9,317**	**802**	**3**	**10,122**	**-7**	**-16**	**-1**	**-24**	**10,099**	**-386**	**9,712**
Dec 22											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	7,079	242	0	7,321	-4	-7	0	-10	7,311	-295	7,016
Credit institutions	1,293	18	0	1,311	-2	0	0	-3	1,308	-60	1,249
Other financial corporations	197	99	1	297	0	0	-1	-2	295	-11	285
Non-financial corporations	548	449	2	1,000	-1	-8	-1	-10	990	-79	911
Total	**9,117**	**808**	**3**	**9,929**	**-7**	**-16**	**-1**	**-24**	**9,904**	**-444**	**9,460**

As defined in IFRS 9, the gross carrying amount of debt instruments at FVOCI equals the amortised cost before deducting any credit loss allowances. There are no POCI assets in this balance sheet item as of 31 March 2023.

18. Finance lease receivables

	Gross carrying amount					Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Mar 23											
General governments	255	9	0	0	265	0	-1	0	0	-2	263
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	91	1	0	0	93	0	0	0	0	0	92
Non-financial corporations	2,703	716	84	1	3,504	-12	-25	-36	0	-73	3,431
Households	795	56	13	0	864	-4	-2	-4	0	-11	853
Total	**3,845**	**782**	**97**	**1**	**4,725**	**-17**	**-28**	**-40**	**0**	**-85**	**4,640**
Dec 22											
General governments	254	10	0	0	264	-1	-1	0	0	-2	262
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	88	1	0	0	89	0	0	0	0	0	88
Non-financial corporations	2,654	691	74	1	3,420	-12	-25	-36	0	-73	3,347
Households	790	62	13	0	866	-4	-2	-5	0	-11	854
Total	**3,787**	**765**	**87**	**1**	**4,639**	**-17**	**-28**	**-41**	**0**	**-86**	**4,553**

19. Derivatives held for trading

in EUR million	Dec 22 Notional value	Dec 22 Positive fair value	Dec 22 Negative fair value	Mar 23 Notional value	Mar 23 Positive fair value	Mar 23 Negative fair value
Derivatives held in the trading book	**244,708**	**6,490**	**6,607**	**281,420**	**6,208**	**6,299**
Interest rate	178,235	5,788	5,508	209,703	5,318	5,173
Equity	669	10	10	847	79	72
Foreign exchange	64,992	686	1,084	70,045	801	1,045
Credit	551	5	5	639	7	8
Commodity	9	0	0	7	0	0
Other	253	1	1	178	3	0
Derivatives held in the banking book	**25,626**	**554**	**1,003**	**26,418**	**498**	**910**
Interest rate	19,178	374	850	19,635	353	741
Equity	1,334	57	80	1,329	62	52
Foreign exchange	4,769	122	68	5,112	82	113
Credit	155	1	1	152	1	1
Other	190	0	4	190	0	3
Total gross amounts	**270,334**	**7,045**	**7,610**	**307,837**	**6,706**	**7,209**
Offset		-5,326	-4,983		-5,037	-4,704
Total		**1,719**	**2,626**		**1,668**	**2,505**

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

20. Other financial assets held for trading

in EUR million	Dec 22	Mar 23
Equity instruments	70	79
Debt securities	5,977	4,724
Central banks	3,045	1,668
General governments	1,575	1,610
Credit institutions	1,133	1,136
Other financial corporations	160	247
Non-financial corporations	64	63
Other financial assets held for trading	**6,047**	**4,803**

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

in EUR million	Dec 22 Designated	Dec 22 Mandatorily	Mar 23 Designated	Mar 23 Mandatorily
Equity instruments	0	347	0	366
Debt securities	327	1,223	295	1,338
General governments	35	170	20	283
Credit institutions	286	119	275	111
Other financial corporations	5	864	0	877
Non-financial corporations	0	70	0	68
Loans and advances to banks	0	0	0	0
Credit institutions	0	0	0	0
Loans and advances to customers	1	839	1	869
General governments	0	1	0	1
Other financial corporations	0	26	0	0
Non-financial corporations	1	33	1	33
Households	0	779	0	836
Financial assets designated and mandatorily at FVPL	328	2,408	296	2,573
Non-trading financial assets at fair value through profit and loss	**2,735**		**2,870**	

22. Hedge accounting derivatives

in EUR million	Dec 22			Mar 23		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**19,662**	**403**	**2,073**	**20,756**	**389**	**1,951**
Interest rate	19,662	403	2,073	20,756	389	1,951
Cash flow hedges	**5,113**	**94**	**175**	**5,215**	**154**	**187**
Interest rate	3,670	7	175	3,744	22	185
Foreign exchange	1,443	87	0	1,471	131	2
Total gross amounts	**24,776**	**497**	**2,248**	**25,972**	**543**	**2,138**
Offset	0	-338	-1,876		-325	-1,773
Total		**159**	**372**		**218**	**365**

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

23. Other assets

in EUR million	Dec 22	Mar 23
Prepayments	135	171
Inventories	94	99
Sundry assets	1,003	1,037
Other assets	**1,232**	**1,308**

24. Other financial liabilities held for trading

in EUR million	Dec 22	Mar 23
Short positions	585	582
Equity instruments	129	129
Debt securities	456	453
Debt securities issued	52	52
Other financial liabilities held for trading	**637**	**635**

25. Financial liabilities at fair value through profit and loss

Debt securities issued

in EUR million	Dec 22	Mar 23
Subordinated debt securities issued	1,991	2,041
Other debt securities issued	7,319	7,667
Bonds	5,416	5,753
Other certificates of deposits/name certificates	815	850
Mortgage covered bonds	962	938
Public sector covered bonds	126	126
Debt securities issued	**9,310**	**9,708**

26. Provisions

in EUR million	Dec 22	Mar 23
Defined employee benefit plans	802	778
Loan commitments and financial guarantees given in scope of IFRS 9	469	433
Pending legal issues and tax litigation	288	277
Commitments and guarantees given out of scope of IFRS 9	65	67
Other provisions	53	302
Provisions	**1,676**	**1,857**

Effects from the change in material valuation parameters

The interest rate used for the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions remained unchanged compared to the previous year (3.75% p.a.). All other calculation parameters also remained unchanged.

27. Other liabilities

in EUR million	Dec 22	Mar 23
Deferred income	116	120
Sundry liabilities	2,465	2,846
Other liabilities	**2,581**	**2,966**

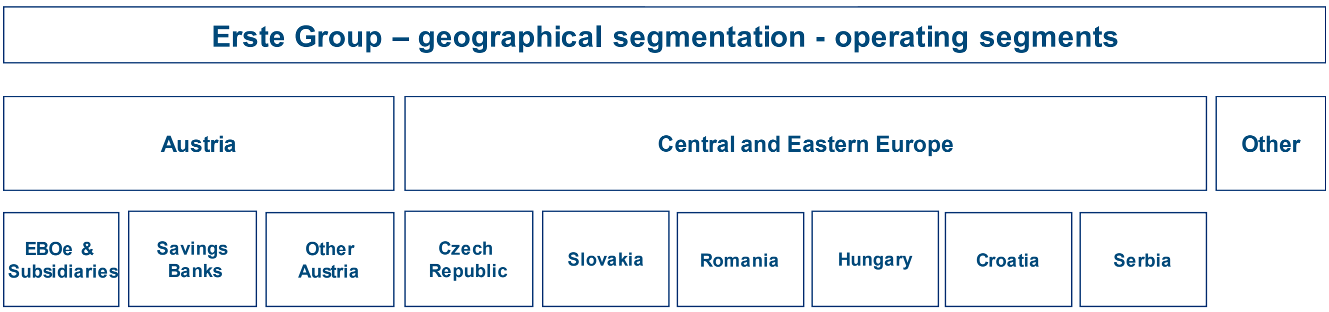
28. Segment reporting

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

Geographical segmentation (operating segments)

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

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



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

The geographical area Central and Eastern Europe (CEE) consists of six operating segments covering Erste Group's banking subsidiaries located in the respective CEE countries:
_ **Czech Republic** (comprising Česká spořitelna Group)
_ **Slovakia** (comprising Slovenská sporitel'ňa Group)
_ **Romania** (comprising Banca Comercială Română Group)
_ **Hungary** (comprising Erste Bank Hungary Group)
_ **Croatia** (comprising Erste Bank Croatia Group)
_ **Serbia** (comprising Erste Bank Serbia Group).

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

Business segmentation

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

Erste Group – business segments

Retail	Corporates	Group Markets	Asset/Liability Management & Local Corporate Center	Savings Banks	Group Corporate Center	Intragroup Elimination

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

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

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

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

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

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

Intragroup Elimination. Intragroup Elimination (IC) is not defined as a segment but is the reconciliation to the consolidated accounting result. It includes intragroup eliminations between participations of Erste Group (e.g. intragroup funding, internal cost charges). Intragroup eliminations within partial groups are disclosed in the respective segments.

Dividend elimination between Erste Group Bank AG and its fully consolidated subsidiaries is performed in Group Corporate Center. Consolidation differences arising between the segments, which are eliminated over the lifespan of the underlying transaction, are part of Group Corporate Center.

Measurement

The profit and loss statement of the segment report is based on the measures reported to the Erste Group management board for the purpose of allocating resources to the segments and assessing their performance. Management reporting as well as the segment report of Erste Group are based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statements of accounting.

Interest revenues are not reported separately from interest expenses for each reportable segment. Those measures are reported on the net basis within the position 'Net interest income' as interest revenues and interest expenses are neither included into the measure of segment profit or loss reviewed by the chief operating decision maker nor otherwise regularly provided to the chief operating decision maker. Chief operating decision maker relies solely on net interest income to assess the performance of the segments and make decisions about resources to be allocated to the segments. Net fee and commission income and Other operating result are reported on a net basis according to the regular reporting to the chief operating decision maker.

Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated capital is determined by the credit risk, market risk, operational risk and business strategic risk. According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. Total average allocated capital for the Group equals average total equity of the Group. For measuring and assessing the profitability of segments within Erste Group, such key measures as return on allocated capital and cost/income ratio are used.

Return on allocated capital is defined as net result for the period before minorities in relation to the average allocated capital of the respective segment. Cost/income ratio is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties and other operating lease).

Operating segments: Geographical segmentation – overview

in EUR million	Austria 1-3 22	Austria 1-3 23	Central and Eastern Europe 1-3 22	Central and Eastern Europe 1-3 23	Other 1-3 22	Other 1-3 23	Total Group 1-3 22	Total Group 1-3 23
Net interest income	585.8	863.1	761.1	859.6	45.2	46.3	1,392.1	1,769.0
Net fee and commission income	355.2	373.3	276.8	292.3	-16.7	-22.9	615.3	642.7
Dividend income	1.3	3.2	0.1	0.0	1.1	3.0	2.4	6.3
Net trading result	-43.5	25.3	87.4	38.5	-300.5	52.9	-256.6	116.7
Gains/losses from financial instruments at FVPL	11.5	1.4	-25.5	-0.3	253.7	-82.5	239.7	-81.4
Net result from equity method investments	0.4	1.0	0.0	1.6	2.6	2.0	3.0	4.6
Rental income from investment properties & other operating leases	33.3	35.2	11.3	9.3	-4.4	-3.5	40.2	40.9
General administrative expenses	-625.5	-614.0	-550.8	-579.3	-58.9	-48.7	-1,235.2	-1,242.0
Gains/losses from derecognition of financial assets at AC	-0.6	-0.4	-0.1	-0.4	-0.3	-0.1	-0.9	-0.9
Other gains/losses from derecognition of financial instruments not at FVPL	-0.3	-3.4	1.7	0.0	0.4	4.5	1.9	1.1
Impairment result from financial instruments	-32.3	11.9	-26.3	9.3	-0.5	-0.6	-59.1	20.7
Other operating result	-36.9	-42.3	-90.3	-163.8	-5.5	-68.2	-132.7	-274.3
Levies on banking activities	-2.6	-3.5	-32.1	-89.5	-5.6	-6.1	-40.2	-99.1
Pre-tax result from continuing operations	**248.3**	**654.3**	**445.5**	**466.8**	**-83.7**	**-117.9**	**610.1**	**1,003.2**
Taxes on income	-71.2	-149.0	-86.8	-105.3	42.5	68.7	-115.6	-185.6
Net result for the period	**177.1**	**505.3**	**358.6**	**361.5**	**-41.2**	**-49.2**	**494.5**	**817.6**
Net result attributable to non-controlling interests	29.2	199.3	16.2	21.7	0.2	3.0	45.7	224.0
Net result attributable to owners of the parent	**147.9**	**306.0**	**342.4**	**339.8**	**-41.5**	**-52.2**	**448.8**	**593.6**
Operating income	943.9	1,302.5	1,111.3	1,201.0	-18.9	-4.7	2,036.2	2,498.7
Operating expenses	-625.5	-614.0	-550.8	-579.3	-58.9	-48.7	-1,235.2	-1,242.0
Operating result	**318.4**	**688.5**	**560.5**	**621.7**	**-77.9**	**-53.5**	**801.0**	**1,256.7**
Risk-weighted assets (credit risk, eop)	60,683	64,105	48,677	55,213	2,832	2,976	112,191	122,295
Average allocated capital	9,304	9,247	9,252	10,816	5,190	5,891	23,746	25,953
Cost/income ratio	66.3%	47.1%	49.6%	48.2%	>100%	>100%	60.7%	49.7%
Return on allocated capital	7.7%	22.2%	15.7%	13.6%	-3.2%	-3.4%	8.4%	12.8%
Total assets (eop)	206,681	215,393	147,234	154,491	-28,304	-26,963	325,610	342,921
Total liabilities excluding equity (eop)	167,036	172,293	134,167	140,820	340	3,326	301,542	316,438
Impairments	**-32.3**	**12.2**	**-26.6**	**8.8**	**-0.5**	**-0.6**	**-59.4**	**20.4**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-28.9	-7.4	-23.2	-6.0	-0.6	-1.3	-52.7	-14.8
Net impairment loss on commitments and guarantees given	-3.4	19.4	-3.1	15.4	0.1	0.7	-6.4	35.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	0.2	-0.3	-0.5	0.0	0.0	-0.3	-0.3

Operating segments: Geographical area – Austria

in EUR million	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
	1-3 22	1-3 23	1-3 22	1-3 23	1-3 22	1-3 23	1-3 22	1-3 23
Net interest income	160.2	273.0	273.2	442.9	152.4	147.1	585.8	863.1
Net fee and commission income	121.2	126.5	155.4	167.4	78.6	79.5	355.2	373.3
Dividend income	0.0	0.0	0.7	1.3	0.6	1.9	1.3	3.2
Net trading result	-23.9	5.4	-23.2	12.0	3.5	7.8	-43.5	25.3
Gains/losses from financial instruments at FVPL	24.7	-3.9	-1.5	3.2	-11.8	2.1	11.5	1.4
Net result from equity method investments	0.8	0.9	0.0	0.0	-0.4	0.1	0.4	1.0
Rental income from investment properties & other operating leases	11.3	13.1	10.5	10.5	11.5	11.6	33.3	35.2
General administrative expenses	-208.0	-201.1	-331.3	-319.0	-86.1	-94.0	-625.5	-614.0
Gains/losses from derecognition of financial assets at AC	-0.6	0.0	0.0	-0.4	0.0	0.0	-0.6	-0.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.0	-3.3	-0.3	-0.1	-0.3	-3.4
Impairment result from financial instruments	-9.7	1.9	-11.1	-16.6	-11.6	26.7	-32.3	11.9
Other operating result	-19.3	-26.5	-15.7	-15.4	-1.9	-0.4	-36.9	-42.3
Levies on banking activities	-1.3	-1.8	-1.2	-1.6	0.0	0.0	-2.6	-3.5
Pre-tax result from continuing operations	**56.7**	**189.4**	**57.1**	**282.6**	**134.5**	**182.3**	**248.3**	**654.3**
Taxes on income	-20.1	-44.9	-23.6	-59.7	-27.6	-44.4	-71.2	-149.0
Net result for the period	**36.7**	**144.4**	**33.5**	**222.9**	**106.9**	**137.9**	**177.1**	**505.3**
Net result attributable to non-controlling interests	3.4	6.1	24.0	191.5	1.8	1.6	29.2	199.3
Net result attributable to owners of the parent	**33.3**	**138.3**	**9.5**	**31.4**	**105.1**	**136.3**	**147.9**	**306.0**
Operating income	294.3	415.1	415.1	637.3	234.4	250.1	943.9	1,302.5
Operating expenses	-208.0	-201.1	-331.3	-319.0	-86.1	-94.0	-625.5	-614.0
Operating result	**86.3**	**214.0**	**83.8**	**318.4**	**148.3**	**156.1**	**318.4**	**688.5**
Risk-weighted assets (credit risk, eop)	15,410	15,881	27,636	27,807	17,637	20,417	60,683	64,105
Average allocated capital	2,361	2,179	4,386	4,355	2,557	2,712	9,304	9,247
Cost/income ratio	70.7%	48.4%	79.8%	50.0%	36.7%	37.6%	66.3%	47.1%
Return on allocated capital	6.3%	26.9%	3.1%	20.8%	17.0%	20.6%	7.7%	22.2%
Total assets (eop)	60,624	58,776	78,978	80,444	67,078	76,174	206,681	215,393
Total liabilities excluding equity (eop)	58,071	55,946	73,244	74,139	35,721	42,208	167,036	172,293
Impairments	**-9.7**	**1.9**	**-11.1**	**-16.6**	**-11.6**	**26.8**	**-32.3**	**12.2**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-5.6	-3.0	5.5	-26.5	-28.7	22.0	-28.9	-7.4
Net impairment loss on commitments and guarantees given	-4.0	4.8	-16.5	9.8	17.1	4.7	-3.4	19.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	0.0	0.0	0.1	0.0	0.2	0.0	0.2

Operating segments: Geographical area – Central and Eastern Europe

in EUR million	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-3 22	1-3 23	1-3 22	1-3 23	1-3 22	1-3 23	1-3 22	1-3 23	1-3 22	1-3 23	1-3 22	1-3 23	1-3 22	1-3 23
Net interest income	358.2	315.1	105.8	124.2	118.2	154.9	92.3	147.6	67.3	92.7	19.4	24.9	761.1	859.6
Net fee and commission income	102.1	106.7	44.1	50.1	45.7	44.8	54.9	56.8	24.7	28.3	5.2	5.6	276.8	292.3
Dividend income	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Net trading result	40.3	45.1	4.7	4.2	29.9	27.4	2.1	-44.0	8.8	4.0	1.5	1.8	87.4	38.5
Gains/losses from financial instruments at FVPL	1.7	-13.2	0.4	0.5	0.2	0.5	-27.7	11.5	-0.1	0.4	0.0	0.0	-25.5	-0.3
Net result from equity method investments	-1.7	0.6	1.5	0.4	-0.1	0.2	0.0	0.0	0.3	0.3	0.0	0.0	0.0	1.6
Rental income from investment properties & other operating leases	2.1	2.3	0.1	0.1	5.3	2.3	1.8	2.6	1.9	1.8	0.0	0.2	11.3	9.3
General administrative expenses	-216.3	-247.0	-80.8	-81.9	-95.4	-99.6	-87.6	-66.2	-54.9	-65.3	-15.8	-19.4	-550.8	-579.3
Gains/losses from derecognition of financial assets at AC	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1	-0.3	-0.1	-0.4
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	0.0	-0.2	0.0	0.0	1.6	0.1	0.1	0.0	0.0	0.0	1.7	0.0
Impairment result from financial instruments	-14.6	-9.7	-20.0	-2.2	-9.6	0.5	2.7	4.7	14.2	15.9	0.8	0.2	-26.3	9.3
Other operating result	-39.6	-36.1	-6.5	-8.1	6.4	-19.0	-42.2	-96.5	-6.7	-4.0	-1.7	-0.1	-90.3	-163.8
Levies on banking activities	0.0	0.0	0.0	0.0	0.0	0.0	-32.1	-89.5	0.0	0.0	0.0	0.0	-32.1	-89.5
Pre-tax result from continuing operations	**232.2**	**163.9**	**49.3**	**87.3**	**100.7**	**112.0**	**-1.9**	**16.6**	**55.6**	**74.1**	**9.5**	**12.9**	**445.5**	**466.8**
Taxes on income	-45.7	-47.7	-11.0	-19.5	-16.9	-18.3	-3.4	-6.6	-9.8	-13.2	0.0	0.0	-86.8	-105.3
Net result for the period	**186.5**	**116.2**	**38.4**	**67.8**	**83.9**	**93.7**	**-5.3**	**10.0**	**45.8**	**60.9**	**9.5**	**12.9**	**358.6**	**361.5**
Net result attributable to non-controlling interests	0.0	0.0	0.0	-0.1	0.1	0.1	0.0	0.0	14.3	19.2	1.9	2.5	16.2	21.7
Net result attributable to owners of the parent	**186.5**	**116.2**	**38.4**	**67.8**	**83.8**	**93.6**	**-5.3**	**10.0**	**31.6**	**41.7**	**7.6**	**10.4**	**342.4**	**339.8**
Operating income	502.8	456.7	156.5	179.6	199.3	230.1	123.6	174.6	102.9	127.5	26.2	32.5	1,111.3	1,201.0
Operating expenses	-216.3	-247.0	-80.8	-81.9	-95.4	-99.6	-87.6	-66.2	-54.9	-65.3	-15.8	-19.4	-550.8	-579.3
Operating result	**286.4**	**209.7**	**75.8**	**97.8**	**103.9**	**130.6**	**36.0**	**108.3**	**48.0**	**62.3**	**10.4**	**13.1**	**560.5**	**621.7**
Risk-weighted assets (credit risk, eop)	20,107	23,621	8,513	9,663	7,834	8,765	4,385	5,356	6,141	5,937	1,697	1,872	48,677	55,213
Average allocated capital	3,541	4,268	1,403	1,495	1,724	1,874	1,186	1,544	1,135	1,333	264	301	9,252	10,816
Cost/income ratio	43.0%	54.1%	51.6%	45.6%	47.9%	43.3%	70.9%	37.9%	53.4%	51.2%	60.2%	59.7%	49.6%	48.2%
Return on allocated capital	21.4%	11.0%	11.1%	18.4%	19.7%	20.3%	-1.8%	2.6%	16.4%	18.5%	14.5%	17.3%	15.7%	13.6%
Total assets (eop)	76,793	78,614	23,144	24,595	18,145	20,245	13,636	14,202	12,697	13,606	2,819	3,228	147,234	154,491
Total liabilities excluding equity (eop)	70,756	72,555	21,154	22,451	16,105	17,886	12,425	13,005	11,238	12,080	2,489	2,842	134,167	140,820
Impairments	**-14.6**	**-9.7**	**-20.0**	**-2.1**	**-10.0**	**-0.1**	**2.7**	**4.5**	**14.4**	**16.1**	**0.8**	**0.2**	**-26.6**	**8.8**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-15.4	-7.9	-17.2	-5.4	-11.0	-10.3	2.2	4.0	16.8	14.8	1.3	-1.3	-23.2	-6.0
Net impairment loss on commitments and guarantees given	0.8	-1.8	-2.8	3.2	1.4	10.8	0.5	0.7	-2.6	1.0	-0.4	1.4	-3.1	15.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	0.0	0.0	0.1	-0.4	-0.6	0.0	-0.3	0.1	0.2	0.0	0.0	-0.3	-0.5

Business segments (1)

in EUR million	Retail 1-3 22	Retail 1-3 23	Corporates 1-3 22	Corporates 1-3 23	Group Markets 1-3 22	Group Markets 1-3 23	ALM&LCC 1-3 22	ALM&LCC 1-3 23
Net interest income	597.9	795.3	345.1	455.4	108.4	138.1	17.7	-122.2
Net fee and commission income	317.1	325.9	84.1	95.4	80.7	76.9	-18.8	-17.2
Dividend income	0.0	0.0	0.0	1.5	0.6	0.3	0.1	0.1
Net trading result	41.0	39.6	33.1	26.9	38.0	-1.0	-309.6	47.9
Gains/losses from financial instruments at FVPL	-29.1	11.4	3.1	-0.3	-16.5	2.2	294.8	-101.4
Net result from equity method investments	1.8	1.0	0.0	0.3	0.0	0.0	-1.4	1.2
Rental income from investment properties & other operating leases	1.3	1.8	27.3	25.9	0.1	0.1	6.3	7.0
General administrative expenses	-540.8	-574.0	-136.8	-155.1	-58.8	-63.7	-113.2	-85.9
Gains/losses from derecognition of financial assets at AC	-0.8	-0.4	0.0	0.0	0.0	0.0	0.1	0.0
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	1.5	-0.1	-0.1	0.0	0.2	4.0
Impairment result from financial instruments	-15.5	-26.0	-26.6	64.6	-5.7	-4.1	-0.2	3.1
Other operating result	-14.8	-29.4	2.4	-23.1	-8.2	-7.0	-97.2	-139.4
Levies on banking activities	-11.2	-20.7	-6.2	-12.2	-1.8	-4.2	-14.1	-54.2
Pre-tax result from continuing operations	**357.9**	**545.3**	**333.2**	**491.5**	**138.6**	**141.7**	**-221.2**	**-402.9**
Taxes on income	-68.8	-94.7	-64.3	-92.8	-28.5	-27.9	33.7	35.6
Net result for the period	**289.2**	**450.6**	**269.0**	**398.7**	**110.1**	**113.8**	**-187.5**	**-367.3**
Net result attributable to non-controlling interests	7.6	9.1	13.3	14.2	1.4	1.3	-0.8	4.9
Net result attributable to owners of the parent	**281.5**	**441.5**	**255.7**	**384.5**	**108.8**	**112.5**	**-186.7**	**-372.2**
Operating income	929.8	1,175.0	492.8	605.2	211.3	216.5	-11.0	-184.7
Operating expenses	-540.8	-574.0	-136.8	-155.1	-58.8	-63.7	-113.2	-85.9
Operating result	**389.0**	**601.0**	**355.9**	**450.1**	**152.6**	**152.9**	**-124.2**	**-270.6**
Risk-weighted assets (credit risk, eop)	22,181	23,334	49,402	57,184	3,573	4,337	6,984	7,797
Average allocated capital	3,732	3,804	5,502	6,180	1,176	1,053	5,270	6,760
Cost/income ratio	58.2%	48.9%	27.8%	25.6%	27.8%	29.4%	>100%	-46.5%
Return on allocated capital	31.4%	48.0%	19.8%	26.2%	38.0%	43.8%	-14.4%	-22.0%
Total assets (eop)	72,866	74,996	67,381	77,483	54,632	58,705	93,621	93,856
Total liabilities excluding equity (eop)	112,939	112,995	43,837	49,281	51,124	56,115	62,870	67,600
Impairments	**-15.5**	**-26.2**	**-26.6**	**64.8**	**-5.7**	**-4.1**	**-0.4**	**2.8**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-11.8	-28.6	-40.0	42.9	-3.6	-2.6	-2.4	1.1
Net impairment loss on commitments and guarantees given	-3.7	2.6	13.4	21.6	-2.0	-1.5	2.2	2.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	-0.2	0.0	0.2	0.0	0.0	-0.3	-0.3

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-3 22	1-3 23	1-3 22	1-3 23	1-3 22	1-3 23	1-3 22	1-3 23
Net interest income	273.2	442.9	25.9	44.0	23.9	15.5	1,392.1	1,769.0
Net fee and commission income	155.4	167.4	1.5	1.0	-4.6	-6.6	615.3	642.7
Dividend income	0.7	1.3	1.1	3.0	0.0	0.0	2.4	6.3
Net trading result	-23.2	12.0	-13.6	3.2	-22.3	-11.9	-256.6	116.7
Gains/losses from financial instruments at FVPL	-1.5	3.2	-11.1	3.5	0.0	0.0	239.7	-81.4
Net result from equity method investments	0.0	0.0	2.6	2.0	0.0	0.0	3.0	4.6
Rental income from investment properties & other operating leases	10.5	10.5	-5.1	-4.0	-0.1	-0.4	40.2	40.9
General administrative expenses	-331.3	-319.0	-220.6	-242.3	166.3	197.9	-1,235.2	-1,242.0
Gains/losses from derecognition of financial assets at AC	0.0	-0.4	-0.3	-0.1	0.0	0.0	-0.9	-0.9
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	-3.3	0.3	0.5	0.0	0.0	1.9	1.1
Impairment result from financial instruments	-11.1	-16.6	-0.2	-0.2	0.0	0.0	-59.1	20.7
Other operating result	-15.7	-15.4	163.9	134.4	-163.2	-194.5	-132.7	-274.3
Levies on banking activities	-1.2	-1.6	-5.6	-6.1	0.0	0.0	-40.2	-99.1
Pre-tax result from continuing operations	**57.1**	**282.6**	**-55.6**	**-55.0**	**0.0**	**0.0**	**610.1**	**1,003.2**
Taxes on income	-23.6	-59.7	35.9	53.9	0.0	0.0	-115.6	-185.6
Net result for the period	**33.5**	**222.9**	**-19.8**	**-1.1**	**0.0**	**0.0**	**494.5**	**817.6**
Net result attributable to non-controlling interests	24.0	191.5	0.2	3.0	0.0	0.0	45.7	224.0
Net result attributable to owners of the parent	**9.5**	**31.4**	**-20.0**	**-4.1**	**0.0**	**0.0**	**448.8**	**593.6**
Operating income	415.1	637.3	1.2	52.8	-3.1	-3.4	2,036.2	2,498.7
Operating expenses	-331.3	-319.0	-220.6	-242.3	166.3	197.9	-1,235.2	-1,242.0
Operating result	**83.8**	**318.4**	**-219.4**	**-189.5**	**163.2**	**194.5**	**801.0**	**1,256.7**
Risk-weighted assets (credit risk, eop)	27,636	27,807	2,414	1,836	0	0	112,191	122,295
Average allocated capital	4,386	4,355	3,681	3,801	0	0	23,746	25,953
Cost/income ratio	79.8%	50.0%	>100%	>100%	>100%	>100%	60.7%	49.7%
Return on allocated capital	3.1%	20.8%	-2.2%	-0.1%			8.4%	12.8%
Total assets (eop)	78,978	80,444	3,837	4,610	-45,705	-47,173	325,610	342,921
Total liabilities excluding equity (eop)	73,244	74,139	3,297	3,530	-45,769	-47,222	301,542	316,438
Impairments	**-11.1**	**-16.6**	**-0.2**	**-0.2**	**0.0**	**0.0**	**-59.4**	**20.4**
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	5.5	-26.5	-0.4	-1.1	0.0	0.0	-52.7	-14.8
Net impairment loss on commitments and guarantees given	-16.5	9.8	0.2	0.9	0.0	0.0	-6.4	35.4
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	0.0	0.1	0.0	0.0	0.0	0.0	-0.3	-0.3

29. Risk management

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the annual report 2022.

Credit risk

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

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

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

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

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

Credit risk exposure

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

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

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

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

The credit risk exposure increased in the reporting period by EUR 15.3 billion (+4.4%).

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

in EUR million	Credit risk exposure	Allowances	Adjustments	Carrying amount
Mar 23				
Cash and cash balances - demand deposits to credit institutions	2,172	0	0	2,172
Instruments HfT	6,392	0	0	6,392
Non-trading debt instruments at FVPL	2,503	0	0	2,503
Debt securities	1,633	0	0	1,633
Loans and advances to banks	0	0	0	0
Loans and advances to customers	870	0	0	870
Debt instruments at FVOCI	10,122	-24	-386	9,712
Debt securities	10,122	-24	-386	9,712
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	269,348	-3,893	0	265,455
Debt securities	43,425	-24	0	43,401
Loans and advances to banks	27,309	-10	0	27,299
Loans and advances to customers	198,614	-3,859	0	194,755
Trade and other receivables	2,468	-65	0	2,402
Finance lease receivables	4,725	-85	0	4,640
Debt instruments held for sale in disposal groups	156	-3	0	154
Positive fair value of hedge accounting derivatives	218	0	0	218
Off balance-sheet exposures	66,351	-500	0	0
Total	**364,457**	**-4,571**	**-386**	**293,649**
Dec 22				
Cash and cash balances - demand deposits to credit institutions	723	-1	0	722
Instruments HfT	7,695	0	0	7,695
Non-trading debt instruments at FVPL	2,389	0	0	2,389
Debt securities	1,549	0	0	1,549
Loans and advances to banks	0	0	0	0
Loans and advances to customers	839	0	0	839
Debt instruments at FVOCI	9,929	-24	-444	9,460
Debt securities	9,929	-24	-444	9,460
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	257,217	-3,857	0	253,360
Debt securities	40,633	-22	0	40,612
Loans and advances to banks	18,441	-6	0	18,435
Loans and advances to customers	198,143	-3,830	0	194,313
Trade and other receivables	2,469	-65	0	2,404
Finance lease receivables	4,639	-86	0	4,553
Debt instruments held for sale in disposal groups	154	-4	0	150
Positive fair value of hedge accounting derivatives	159	0	0	159
Off balance-sheet exposures	63,792	-534	0	0
Total	**349,166**	**-4,572**	**-444**	**280,892**

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

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 23					
Natural resources & commodities	10,539	2,522	700	275	14,037
Energy	13,732	1,941	183	47	15,903
Construction and building materials	12,786	2,777	608	306	16,478
Automotive	6,178	1,164	262	330	7,933
Cyclical cconsumer products	6,956	1,821	465	299	9,541
Non-cyclical consumer products	8,053	1,611	366	155	10,185
Machinery	4,979	942	290	146	6,357
Transportation	6,095	1,480	299	110	7,985
TMT	6,061	877	222	163	7,323
Healthcare & services	8,197	1,801	347	217	10,563
Hotels & leisure industry	6,815	1,781	370	394	9,361
Real estate	36,629	5,755	790	500	43,674
Public sector	77,041	779	55	78	77,954
Financial institutions	27,334	1,298	497	27	29,156
Private households	83,388	9,672	3,101	1,484	97,645
Other	253	39	68	3	362
Total	**315,037**	**36,260**	**8,624**	**4,536**	**364,457**
Dec 22					
Natural resources & commodities	9,808	3,103	691	279	13,881
Energy	12,869	1,802	191	49	14,912
Construction and building materials	11,481	3,681	637	311	16,111
Automotive	5,836	1,316	228	335	7,715
Cyclical cconsumer products	6,189	2,465	353	307	9,314
Non-cyclical consumer products	7,618	1,780	388	161	9,947
Machinery	4,688	1,019	324	157	6,188
Transportation	4,656	2,352	273	113	7,394
TMT	6,104	970	249	165	7,487
Healthcare & services	8,662	1,831	407	224	11,123
Hotels & leisure industry	6,614	2,019	429	425	9,487
Real estate	36,434	5,459	844	471	43,208
Public sector	66,263	602	119	10	66,994
Financial institutions	26,373	1,274	390	36	28,074
Private households	85,577	6,955	3,004	1,456	96,992
Other	251	39	44	5	339
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**

Credit risk exposure by region and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 23					
Core markets	**265,972**	**33,023**	**7,476**	**3,936**	**310,407**
Austria	121,447	11,918	2,857	1,977	138,199
Czech Republic	73,724	8,169	1,341	745	83,979
Romania	20,060	3,054	597	353	24,064
Slovakia	24,012	4,485	1,440	308	30,244
Hungary	12,653	2,507	808	186	16,154
Croatia	10,410	2,288	345	317	13,361
Serbia	3,666	601	88	52	4,406
Other EU	**28,371**	**1,452**	**602**	**348**	**30,773**
Other industrialised countries	**15,290**	**353**	**60**	**38**	**15,742**
Emerging markets	**5,404**	**1,432**	**486**	**213**	**7,534**
Southeastern Europe/CIS	3,070	1,139	241	116	4,566
Asia	1,914	137	22	19	2,092
Latin America	116	61	4	8	189
Middle East/Africa	304	95	218	70	687
Total	**315,037**	**36,260**	**8,624**	**4,536**	**364,457**
Dec 22					
Core markets	**254,254**	**33,625**	**7,531**	**3,968**	**299,379**
Austria	119,508	12,861	2,599	1,994	136,962
Czech Republic	66,699	6,641	1,304	762	75,406
Romania	19,615	3,041	579	348	23,582
Slovakia	23,572	4,640	1,514	308	30,034
Hungary	12,276	2,417	973	181	15,847
Croatia	9,146	3,398	462	325	13,332
Serbia	3,439	627	100	51	4,217
Other EU	**26,629**	**1,471**	**548**	**349**	**28,997**
Other industrialised countries	**13,023**	**215**	**131**	**41**	**13,409**
Emerging markets	**5,517**	**1,357**	**360**	**147**	**7,382**
Southeastern Europe/CIS	3,158	1,015	243	119	4,537
Asia	1,918	87	21	17	2,043
Latin America	137	58	3	9	207
Middle East/Africa	304	196	93	2	595
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**

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

Credit risk exposure by geographical segments and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 23					
Austria	**166,080**	**14,433**	**3,809**	**2,517**	**186,838**
EBOe & Subsidiaries	46,691	3,340	1,287	603	51,920
Savings Banks	66,809	9,834	1,906	1,407	79,956
Other Austria	52,580	1,259	616	507	54,962
Central and Eastern Europe	**136,975**	**21,752**	**4,794**	**2,019**	**165,540**
Czech Republic	74,182	8,783	1,424	818	85,206
Romania	18,068	3,090	599	362	22,120
Slovakia	21,027	4,274	1,496	298	27,094
Hungary	9,766	2,434	788	183	13,170
Croatia	10,864	2,591	410	308	14,173
Serbia	3,067	581	78	51	3,777
Other	**11,983**	**75**	**21**	**0**	**12,079**
Total	**315,037**	**36,260**	**8,624**	**4,536**	**364,457**
Dec 22					
Austria	**160,368**	**15,346**	**3,442**	**2,490**	**181,647**
EBOe & Subsidiaries	44,860	4,991	1,111	624	51,585
Savings Banks	67,138	9,036	1,806	1,380	79,360
Other Austria	48,370	1,319	526	486	50,702
Central and Eastern Europe	**127,463**	**21,286**	**5,128**	**1,997**	**155,874**
Czech Republic	67,470	6,927	1,402	798	76,597
Romania	17,674	3,083	577	356	21,690
Slovakia	20,409	4,622	1,576	299	26,906
Hungary	9,483	2,353	968	178	12,982
Croatia	9,567	3,696	513	317	14,092
Serbia	2,860	606	91	50	3,607
Other	**11,592**	**35**	**1**	**17**	**11,645**
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**

Credit risk exposure by business segments and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 23					
Retail	64,497	10,957	3,423	1,378	80,255
Corporates	98,597	14,679	2,872	1,705	117,853
Group Markets	22,137	447	308	0	22,892
ALM & LCC	62,923	272	93	45	63,333
Savings Banks	66,809	9,834	1,906	1,407	79,956
GCC	75	72	21	0	168
Total	**315,037**	**36,260**	**8,624**	**4,536**	**364,457**
Dec 22					
Retail	65,536	10,167	3,280	1,381	80,364
Corporates	92,938	16,584	3,131	1,694	114,347
Group Markets	18,785	533	193	0	19,511
ALM & LCC	54,899	318	160	32	55,409
Savings Banks	67,138	9,036	1,806	1,380	79,360
GCC	127	30	1	17	175
Total	**299,423**	**36,667**	**8,570**	**4,505**	**349,166**

Credit risk exposure by geographical segments and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Mar 23						
Austria	**140,743**	**32,705**	**2,456**	**60**	**10,874**	**186,838**
EBOe & Subsidiaries	43,751	7,021	592	12	544	51,920
Savings Banks	61,478	14,857	1,365	48	2,208	79,956
Other Austria	35,513	10,827	500	0	8,121	54,962
Central and Eastern Europe	**133,665**	**19,562**	**1,816**	**336**	**10,161**	**165,540**
Czech Republic	71,152	8,289	732	58	4,976	85,206
Romania	16,325	3,779	320	53	1,642	22,120
Slovakia	22,770	3,195	285	147	698	27,094
Hungary	10,080	1,304	148	47	1,591	13,170
Croatia	10,732	2,631	283	29	497	14,173
Serbia	2,606	365	48	2	755	3,777
Other	**11,871**	**114**	**0**	**0**	**93**	**12,079**
Total	**286,279**	**52,381**	**4,272**	**396**	**21,128**	**364,457**
Dec 22						
Austria	**135,236**	**32,407**	**2,430**	**66**	**11,508**	**181,647**
EBOe & Subsidiaries	43,281	7,179	614	12	499	51,585
Savings Banks	61,345	14,565	1,336	54	2,060	79,360
Other Austria	30,611	10,663	480	0	8,949	50,702
Central and Eastern Europe	**124,821**	**19,079**	**1,790**	**317**	**9,868**	**155,874**
Czech Republic	63,049	8,032	714	54	4,748	76,597
Romania	15,924	3,771	311	58	1,626	21,690
Slovakia	22,712	3,062	286	126	720	26,906
Hungary	9,986	1,250	143	47	1,556	12,982
Croatia	10,670	2,612	290	29	491	14,092
Serbia	2,479	352	47	2	727	3,607
Other	**11,454**	**100**	**17**	**0**	**72**	**11,645**
Total	**271,511**	**51,587**	**4,237**	**383**	**21,448**	**349,166**

Credit risk exposure by business segments and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Total
Mar 23						
Retail	67,862	10,005	1,335	92	961	80,255
Corporates	79,385	26,674	1,531	256	10,007	117,853
Group Markets	14,919	354	0	0	7,619	22,892
ALM & LCC	62,576	474	43	0	239	63,333
Savings Banks	61,478	14,857	1,365	48	2,208	79,956
GCC	58	17	0	0	93	168
Total	**286,279**	**52,381**	**4,272**	**396**	**21,128**	**364,457**
Dec 22						
Retail	67,843	10,180	1,339	91	911	80,364
Corporates	77,131	26,181	1,513	238	9,285	114,347
Group Markets	10,398	250	0	0	8,862	19,511
ALM & LCC	54,711	409	32	0	257	55,409
Savings Banks	61,345	14,565	1,336	54	2,060	79,360
GCC	83	2	17	0	72	175
Total	**271,511**	**51,587**	**4,237**	**383**	**21,448**	**349,166**

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

The defaulted part of POCI amounted to EUR 176 million (EUR 184 million), the non-defaulted part to EUR 220 million (EUR 199 million).

Measurement of expected credit loss

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

Classification into stages and definition of credit-impaired financial instruments

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

Significant increase in credit risk determination

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

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

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

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

Relative thresholds for SICR assessment by geographical segment

	Dec 22		Mar 23	
'Threshold interval (x times)	Min	Max	Min	Max
Austria	**1.13**	**2.60**	**1.13**	**2.60**
EBOe & Subs.	1.13	2.60	1.13	2.60
Savings Banks	1.13	2.60	1.13	2.60
Other Austria	1.13	2.60	1.13	2.60
CEE	**1.03**	**4.08**	**1.03**	**4.08**
Czech Republic	1.13	3.59	1.13	3.59
Slovakia	1.13	4.08	1.13	4.08
Romania	1.13	3.37	1.13	3.37
Hungary	1.13	3.21	1.13	3.21
Croatia	1.13	3.13	1.13	3.13
Serbia	1.03	3.47	1.03	3.47
Total	**1.03**	**4.08**	**1.03**	**4.08**

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

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

Erste Group has not significantly recalibrated relative thresholds since IFRS9 implementation. They are kept stable as one of the most significant estimates in ECL measurement. Validation finding or significant change of PD models would lead to thresholds' recalibration. There were re-estimations only for individual entities and portfolios. No recalibration of thresholds was performed in the first quarter of 2023.

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

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

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

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

Erste Group has introduced additional portfolio level SICR assessment criteria due to the war in Ukraine (implemented in 2022) and related economic impacts. For more details refer to “Collective assessment” in the next chapter.

Considering the war in Ukraine, Erste Group started with a portfolio screening in local entities to identify customers affected by the secondary effects of the geopolitical risk (Erste Group has only very limited exposure towards the affected region, therefore no significant primary effects recognized). In combination with an early warning classification, “Watch” and ”Intensified”, these customers are transferred into Stage 2 and lifetime ECL are calculated. As of 31 March 2023, the corresponding groupwide exposure to these customers amounted to EUR 342 million, with EUR 15 million of allocated credit loss allowances (a significant part is overlapping with stage overlays defined in the ”Collective assessment” chapter).

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

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

Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

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

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

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

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

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

Life-time parameters

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

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

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

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

Development of credit loss allowances

Development of credit loss allowances for debt securities

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 23						Mar 23
Stage 1	-13	-2	1	0	0	0	-14
Stage 2	-5	0	0	0	0	0	-6
Stage 3	-3	0	0	0	-1	0	-4
Total	**-22**	**-2**	**1**	**0**	**-1**	**0**	**-24**
	Jan 22						Mar 22
Stage 1	-12	-2	1	0	0	0	-12
Stage 2	-3	0	0	-3	2	0	-4
Stage 3	0	0	0	0	0	0	0
Total	**-15**	**-2**	**1**	**-3**	**2**	**0**	**-16**

Development of credit loss allowances for loans and advances to banks

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 23						Mar 23
Stage 1	-6	-6	3	0	2	0	-7
Stage 2	0	0	0	0	-3	0	-3
Stage 3	0	0	0	0	0	0	0
Total	**-6**	**-6**	**3**	**0**	**-1**	**0**	**-10**
	Jan 22						Mar 22
Stage 1	-6	-5	3	0	1	0	-6
Stage 2	-1	0	0	0	0	0	-1
Stage 3	0	0	0	0	0	0	0
Total	**-6**	**-5**	**3**	**0**	**1**	**0**	**-7**

Development of credit loss allowances for loans and advances to customers

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 23								Mar 23
Stage 1	**-335**	**-54**	**16**	**156**	**-109**	**0**	**0**	**-4**	**-330**
General governments	-4	-1	0	1	0	0	0	0	-4
Other financial corporations	-8	-1	0	5	-4	0	0	0	-8
Non-financial corporations	-162	-32	10	63	-37	0	0	-1	-159
Households	-161	-20	6	86	-67	0	0	-3	-159
Stage 2	**-1,415**	**-53**	**43**	**-222**	**243**	**0**	**0**	**-6**	**-1,409**
General governments	-28	-2	0	0	11	0	0	0	-18
Other financial corporations	-20	-1	0	-5	9	0	0	0	-18
Non-financial corporations	-773	-42	28	-110	115	0	0	-1	-784
Households	-594	-8	15	-106	108	0	0	-4	-589
Stage 3	**-1,994**	**-6**	**72**	**-28**	**-113**	**-2**	**52**	**-13**	**-2,030**
General governments	-1	0	0	0	-5	0	0	0	-6
Other financial corporations	-37	0	1	0	-2	0	2	0	-36
Non-financial corporations	-1,043	-5	40	-9	-41	-2	16	-6	-1,047
Households	-913	-2	31	-20	-64	0	35	-8	-941
POCI	**-86**	**0**	**2**	**0**	**-4**	**0**	**0**	**-1**	**-90**
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-65	0	0	0	-4	0	0	0	-68
Households	-22	0	1	0	0	0	0	-1	-21
Total	**-3,830**	**-114**	**133**	**-95**	**18**	**-1**	**53**	**-24**	**-3,859**
	Jan 22								Mar 22
Stage 1	**-383**	**-77**	**20**	**156**	**-117**	**0**	**0**	**-2**	**-404**
General governments	-4	0	0	0	0	0	0	0	-4
Other financial corporations	-10	-3	1	2	-1	0	0	0	-11
Non-financial corporations	-211	-49	14	50	-28	0	0	-1	-225
Households	-158	-25	6	103	-87	0	0	-2	-163
Stage 2	**-1,203**	**-35**	**39**	**-241**	**208**	**0**	**0**	**-4**	**-1,236**
General governments	-20	-2	0	0	1	0	0	0	-21
Other financial corporations	-14	0	0	-6	5	0	0	0	-15
Non-financial corporations	-666	-26	23	-109	79	0	0	-2	-700
Households	-504	-7	16	-126	123	0	0	-2	-499
Stage 3	**-2,066**	**-7**	**51**	**-28**	**-84**	**1**	**68**	**-6**	**-2,072**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-16	0	0	0	-1	0	0	-2	-19
Non-financial corporations	-1,069	-4	25	-20	-42	0	32	-1	-1,078
Households	-979	-4	25	-8	-41	0	35	-3	-974
POCI	**-88**	**0**	**1**	**0**	**-5**	**0**	**1**	**0**	**-90**
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-61	0	0	0	-5	0	1	0	-65
Households	-26	0	1	0	0	0	0	0	-25
Total	**-3,740**	**-120**	**112**	**-113**	**3**	**0**	**69**	**-13**	**-3,803**

Development of credit loss allowances for trade and other receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 23								Mar 23
Stage 1	-9	-3	2	1	0	0	0	0	-9
Stage 2	-11	0	1	-1	0	0	0	0	-11
Stage 3	-44	0	2	0	-3	0	1	0	-45
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-65**	**-3**	**4**	**0**	**-2**	**0**	**1**	**0**	**-65**
	Jan 22								Mar 22
Stage 1	-12	-5	3	0	3	0	0	0	-11
Stage 2	-9	0	0	-3	-2	0	0	0	-13
Stage 3	-66	0	1	0	0	0	4	0	-62
POCI	0	0	0	0	0	0	0	0	0
Total	**-87**	**-5**	**4**	**-3**	**0**	**0**	**4**	**0**	**-86**

Development of credit loss allowances for debt instruments held

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Other	As of
	Jan 23						Mar 23
Stage 1	-7	-1	1	0	0	0	-7
Stage 2	-16	0	0	0	0	0	-16
Stage 3	-1	0	0	-1	1	0	-1
Total	**-24**	**-1**	**1**	**-1**	**1**	**0**	**-24**
	Jan 22						Mar 22
Stage 1	-7	-1	1	0	-1	0	-8
Stage 2	-16	0	0	0	2	0	-15
Stage 3	0	0	0	0	0	0	0
Total	**-23**	**-2**	**1**	**0**	**1**	**0**	**-24**

Development of credit loss allowances for finance lease receivables

in EUR million	As of	Additions	Derecognitions	Transfer between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 23								Mar 23
Stage 1	-17	-2	0	2	-1	0	0	0	-17
Stage 2	-28	0	0	-3	3	0	0	0	-28
Stage 3	-41	0	2	-1	-2	0	2	0	-40
POCI	0	0	0	0	0	0	0	0	0
Total	**-86**	**-2**	**2**	**-1**	**1**	**0**	**2**	**0**	**-85**
	Jan 22								Mar 22
Stage 1	-17	-1	0	12	-12	0	0	0	-18
Stage 2	-27	0	0	-2	2	0	0	0	-26
Stage 3	-67	0	0	-12	11	0	1	0	-66
POCI	0	0	0	0	0	0	0	0	0
Total	**-111**	**-1**	**1**	**-2**	**2**	**0**	**1**	**0**	**-110**

Scenarios used in forward looking information and crises effects

Overview on scenarios used in forward-looking information

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

Thus, the unbiased scenario weighted ECL considering FLI is derived using the weights representing the outcome of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. The main indicator of the estimated economic development and basis for alternative scenario derivation is the GDP. In addition, economic effects of the war in Ukraine came along with the increases of the inflation and/or the interest rates. Erste Group adjusted macro-shift models to reflect expected effects of those into credit risk parameters. In the tables below we are disclosing expected development of the GDP for all regions, all scenarios and scenario weights, as main indicator of the macro-economic situation. Additionally, we are disclosing explanatory variables for the main models and regions with the most significant portfolios, share in expected credit loss and the biggest impact of the forward-looking information. Disclosures are based on the relevancy in the macro-shift model.

Erste Group performed the last FLI review in the fourth quarter of 2022 according to the disclosed forecasts and weights for baseline, downside, and upside scenarios. Erste Group decided to assign 40% scenario weight to baseline forecast and added assumptions from comprehensive stress test scenario to downside scenario design. These model adjustments took place to address the increased uncertainty of the macroeconomic forecasts, higher downside risks and effects of those on ECL resulting from the unstable geopolitical situation – war in Ukraine. The main assumptions of the baseline scenario as well as risks and assumption of the comprehensive stress test scenario that were added to the modelled downside as described in the annual report 2022 and in the corresponding chapters below were not significantly modified during review in the first quarter of 2023. Scenario weights are disclosed in the table below by each core market.

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

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

Baseline scenario

Erste Group expects the Eurozone economy to gradually recover from the second quarter of 2023. Due to the recent turmoil in the US financial sector the risks have risen that the economic activity in the Eurozone might be hit by slowing global trade dynamics in the coming quarters. The main factor supporting the constructive baseline outlook for the Eurozone in 2023 and 2024 is easing inflationary pressures on a domestic and as well as on global level. European gas- and electricity prices have dropped substantially and easing pressures from global supply chains are expected to ease inflationary pressures in the coming months even further. Erste Group forecasts that in this environment we will see a gradual acceleration of consumption and investments as the year progresses. In this environment the Erste Group expects the ECB to gradually slow down its pace of monetary tightening in the course of the year.

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

The fast rise of interest rates is a threat for the investment activity of companies and consumers and could lead to lower investments than currently anticipated for our base case scenario. If Europe fails to secure enough liquefied natural gas for the next winter, we could see another spike of electricity and gas prices harming industrial activity and hurting the consumers purchasing power. The war in Ukraine remains significant risk factor. If it escalates further this could potentially harm the sentiment of global investors vs the Eurozone with potential dampening effects on growth. Russia could cut off gas supply to an increased number of "unfriendly" countries. Energy security becomes a priority for EU policymakers who regard the momentum to become less dependent from Russian commodities and to accelerate the transition to a low carbon economy. This goal triggers an energy policy shock, whereby the price of CO_2 emissions skyrocket in the first year, crystalizing a disorderly transition risk. The energy policy shock exacerbates the increase in energy/consumer prices and de anchors inflation expectations; prompting the ECB to tighten monetary policy aggressively (affecting the entire yield curve) to keep inflation under control. Higher Harmonized Index of Consumer Prices (HICP), especially electricity/gas bills, reduces disposable income and contracts consumption. Given the high debt inherited from the pandemic, increasing military spending and expansive fiscal policies to mitigate higher energy prices/influx of refugees make investors to question debt sustainability.

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

Baseline, upside and downside scenarios of GDP growth in core markets

		Scenario weights	GDP growth in %		
	Scenario	2023-2025	2023	2024	2025
Mar 23					
Austria	Upside	1%	2.9	3.5	3.9
	Baseline	40%	0.6	1.2	1.6
	Downside	59%	-4.6	-1.9	0.1
Czech Republic	Upside	1%	3.4	6.2	5.9
	Baseline	40%	0.9	3.7	3.4
	Downside	59%	-4.9	-0.3	0.9
Slovakia	Upside	1%	3.6	4.7	4.1
	Baseline	40%	1.5	2.6	2.0
	Downside	59%	-4.6	-2.2	1.1
Romania	Upside	1%	5.7	8.3	7.8
	Baseline	40%	2.7	5.3	4.8
	Downside	59%	-3.0	0.2	2.8
Hungary	Upside	1%	2.7	6.7	5.9
	Baseline	40%	0.2	4.2	3.4
	Downside	59%	-6.5	0.5	1.8
Croatia	Upside	1%	3.2	4.7	6.1
	Baseline	40%	1.0	2.5	2.5
	Downside	59%	-3.9	-1.0	0.4
Serbia	Upside	1%	4.7	5.7	5.8
	Baseline	40%	3.0	4.0	4.1
	Downside	59%	-2.7	0.1	2.4

Dec 22		2023-2025	2023	2024	2025
Austria	Upside	1%	2.9	3.5	3.9
	Baseline	40%	0.6	1.2	1.6
	Downside	59%	-4.6	-1.9	0.1
Czech Republic	Upside	1%	3.4	6.2	5.9
	Baseline	40%	0.9	3.7	3.4
	Downside	59%	-4.9	-0.3	0.9
Slovakia	Upside	1%	3.6	4.7	4.1
	Baseline	40%	1.5	2.6	2.0
	Downside	59%	-4.6	-2.2	1.1
Romania	Upside	1%	5.7	8.3	7.8
	Baseline	40%	2.7	5.3	4.8
	Downside	59%	-3.0	0.2	2.8
Hungary	Upside	1%	2.7	6.7	5.9
	Baseline	40%	0.2	4.2	3.4
	Downside	59%	-6.5	0.5	1.8
Croatia	Upside	1%	3.2	4.7	6.1
	Baseline	40%	1.0	2.5	2.5
	Downside	59%	-3.9	-1.0	0.4
Serbia	Upside	1%	4.7	5.7	5.8
	Baseline	40%	3.0	4.0	4.1
	Downside	59%	-2.7	0.1	2.4

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

	Baseline scenario			Scenario weighted outcome		
	2023	2024	2025	2023	2024	2025
Mar 23						
Austria						
GDP growth	0.6	1.2	1.6	-2.4	-0.6	0.7
Inflation	5.2	2.8	2.0	6.3	3.5	2.3
Yields_10Y	2.2	2.2	2.2	2.6	3.0	3.3
Czech Republic						
Unemployment rate	3.3	3.4	3.4	3.8	4.5	4.4
Inflation (PPI)	144.2	146.6	149.6	146.2	148.7	151.7
Slovakia						
Unemployment rate	6.5	6.5	6.3	7.6	7.9	7.6
Inflation	9.3	4.5	3.5	10.5	5.9	4.3
Romania						
GDP growth	2.7	5.3	4.8	-0.6	2.3	3.7
Interest rate (ROBOR 3M)	7.3	6.0	4.5	9.3	8.9	8.1
Inflation (CPI)	10.5	5.8	3.4	11.8	7.6	4.2
Dec 22						
Austria						
GDP growth	0.6	1.2	1.6	-2.4	-0.6	0.7
Inflation	5.2	2.8	2.0	6.3	3.5	2.3
Yields_10Y	2.2	2.2	2.2	2.6	3.0	3.3
Czech Republic						
Unemployment rate	3.3	3.4	3.4	3.8	4.5	4.4
Inflation (PPI)	144.2	146.6	149.6	146.2	148.7	151.7
Slovakia						
Unemployment rate	6.5	6.5	6.3	7.6	7.9	7.6
Inflation	9.3	4.5	3.5	10.5	5.9	4.3
Romania						
GDP growth	2.7	5.3	4.8	-0.6	2.3	3.7
Interest rate (ROBOR 3M)	7.3	6.0	4.5	9.3	8.9	8.1
Inflation (CPI)	10.5	5.8	3.4	11.8	7.6	4.2

Macro-shift FLI models are recalibrated regularly to reflect the most relevant macro-variables. Recalibration is performed by the local entities, and variables with the highest statistical relevance are included. The table gives an overview of the most relevant variables for the macro-shift model in the most significant core markets. Additionally, baseline and weighted scenario outcome for the major variables is disclosed in the tabular format for the years 2023-2025.

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

Collective assessment

As of March 2023, in addition to standard SICR assessment, the Erste Group applied collective SICR assessment ("stage overlays"), i.e., transfer into Stage 2 based on pre-defined portfolio characteristics, due to the uncertainty caused by the war in Ukraine and the energy crisis. This approach was aligned with all affected entities and business lines and approved by the respective governance bodies of Erste Group. It requires, after the assessment of the outliers from the common portfolio characteristics, to have exemptions from the collective SICR assessment, if properly documented why they would behave differently than the rest of the portfolio.

War in Ukraine and energy crisis

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

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

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

Out of the overall credit risk exposure of EUR 364 billion (2022: EUR 349 billion) portfolio under collective staging assessment represents:
- EUR 91.7 billion of cyclical industries, out of which EUR 17.0 billion in Stage 2;
- EUR 22.3 billion of energy intensive industries, out of which EUR 18.9 billion in stage 2.

In the Czech Republic and Croatia, local risk management assessed that the re-calibration of private individuals’ macro shift FLI model did not bring feasible results and therefore does not sufficiently address current situation. Therefore, the additional SICR collective assessment on Private individual side was introduced, triggering additional migration of the exposure of EUR 1.6 billion to Stage 2 as of 31 March 2023. This resulted in EUR 21 million ECL increase.

Effect on expected credit loss

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

Exposure in Stage 2 due to the application of the rules for Ukraine war collective SICR assessment stood for cyclical industries at EUR 6,859 million as of March 2023 (EUR 7,092 million in December 2022) and at EUR 17,002 million for energy overlays as of March 2023 (EUR 17,345 million as of December 2022), with additional ECL allocated in the amount of EUR 172 million for cyclical industries (EUR 184 million as of December 2022) and EUR 140 million for energy overlays (EUR 150 million as of December 2022).

As described above, FLI were re-assessed last time in the fourth quarter of 2022. During the first quarter of 2023, Stage 2 exposure due to FLI decreased slightly to EUR 5,242 million as of March 2023 (EUR 5,554 million in December 2022). The decrease affected the level of ECL allocated in Stage 2 due to FLI: EUR 566 million as of March 2023 versus EUR 572 million as of December 2022.

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

The incorporation of 100% baseline scenario instead of the currently applied weighted scenario outcome would lead to a decrease of Stage 2 exposure by EUR 3,468 million (December 2022: EUR 3,771 million), resulting in an ECL drop by EUR 285 million (December 2022: EUR 296 million).

The downside scenario would lead to additional EUR 2,983 million of exposure migration to Stage 2 in comparison with scenario weighted FLI (December 2022: EUR 3,121 million), resulting in ECL increase of EUR 231 million (December 2022: EUR 238 million).

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

Forward looking information (FLI) and stage overlays

Impact on credit risk exposure by geographical segments

	Current status - parameters (FLI shifted)							Simulations - difference to FLI shifts effect		
				Stage 2 impact by						
				Collective assessment due to			FLI shifts			
in EUR million	Stage 1	Stage 2	Total	UA war - Cyclical	UA war - Energy	UA war - Private individuals		Upside scenario	Baseline scenario	Downside scenario
Mar 23										
Austria	**140,743**	**32,705**	**173,447**	**+4,901**	**+10,728**	**+0**	**+3,179**	**-3,425**	**-2,353**	**+1,926**
EBOe & Subs.	43,751	7,021	50,772	+934	+1,359	+0	+771	-834	-548	+521
Savings Banks	61,478	14,857	76,335	+3,751	+2,427	+0	+1,569	-1,726	-1,113	+991
Other Austria	35,513	10,827	46,340	+215	+6,943	+0	+839	-865	-693	+414
CEE	**133,665**	**19,562**	**153,227**	**+1,957**	**+6,274**	**+1,576**	**+2,063**	**-1,883**	**-1,114**	**+1,057**
Czech Republic	71,152	8,289	79,440	+747	+2,351	+1,232	+772	-659	-290	+226
Slovakia	22,770	3,195	25,964	+232	+1,109	+0	+45	-117	-101	+149
Romania	16,325	3,779	20,104	+328	+1,221	+0	+1,031	-952	-626	+471
Hungary	10,080	1,304	11,384	+227	+636	+0	+160	-110	-71	+90
Croatia	10,732	2,631	13,363	+394	+770	+344	+9	-3	-1	+4
Serbia	2,606	365	2,971	+30	+187	+0	+46	-40	-26	+118
Other	**11,871**	**114**	**11,985**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Total	**286,279**	**52,381**	**338,660**	**+6,859**	**+17,002**	**+1,576**	**+5,242**	**-5,308**	**-3,468**	**+2,983**
Dec 22										
Austria	**135,236**	**32,407**	**167,643**	**+4,976**	**+11,352**	**+0**	**+3,489**	**-3,727**	**-2,598**	**+1,889**
EBOe & Subs.	43,281	7,179	50,460	+927	+1,340	+0	+828	-883	-632	+363
Savings Banks	61,345	14,565	75,910	+3,906	+2,440	+0	+1,578	-1,716	-1,073	+964
Other Austria	30,611	10,663	41,273	+143	+7,571	+0	+1,083	-1,128	-893	+562
CEE	**124,821**	**19,079**	**143,900**	**+2,116**	**+5,993**	**+1,628**	**+2,065**	**-1,905**	**-1,173**	**+1,232**
Czech Republic	63,049	8,032	71,081	+851	+2,109	+1,286	+715	-601	-269	+261
Slovakia	22,712	3,062	25,774	+283	+1,129	+0	+18	-121	-114	+212
Romania	15,924	3,771	19,695	+311	+1,138	+0	+1,104	-1,012	-669	+558
Hungary	9,986	1,250	11,236	+224	+677	+0	+157	-113	-77	+69
Croatia	10,670	2,612	13,282	+427	+767	+342	+12	-3	-2	+4
Serbia	2,479	352	2,831	+19	+174	+0	+61	-55	-42	+128
Other	**11,454**	**100**	**11,555**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Total	**271,511**	**51,587**	**323,098**	**+7,092**	**+17,345**	**+1,628**	**+5,554**	**-5,632**	**-3,771**	**+3,121**

Impact on credit loss allowances by geographical segments

in EUR million	Current status - parameters (FLI shifted)							Simulations - difference to FLI shifts effect		
				Stage 2 impact by						
				Collective assessment due to			FLI shifts			
	Stage 1	Stage 2	Total	UA war - Cyclical	UA war - Energy	UA war - Private individuals		Upside scenario	Baseline scenario	Downside scenario
Mar 23										
Austria	**-164**	**-755**	**-919**	**-99**	**-79**	**+0**	**-195**	**+191**	**+122**	**-101**
EBOe & Subs.	-41	-167	-209	-18	-10	+0	-49	+47	+30	-23
Savings Banks	-91	-438	-529	-76	-28	+0	-106	+104	+65	-50
Other Austria	-31	-150	-181	-5	-41	+0	-40	+39	+27	-28
CEE	**-296**	**-974**	**-1,270**	**-73**	**-61**	**-21**	**-372**	**+280**	**+163**	**-130**
Czech Republic	-100	-346	-446	-32	-16	-16	-100	+64	+26	-21
Slovakia	-47	-122	-170	-8	-9	+0	-19	+14	+9	-4
Romania	-70	-310	-380	-13	-12	+0	-192	+167	+106	-86
Hungary	-30	-60	-90	-4	-3	+0	-36	+24	+15	-12
Croatia	-35	-117	-153	-16	-17	-5	-18	+4	+2	-2
Serbia	-13	-18	-31	-1	-3	+0	-8	+7	+5	-7
Other	**-2**	**-3**	**-5**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Total	**-463**	**-1,732**	**-2,194**	**-172**	**-140**	**-21**	**-566**	**+471**	**+285**	**-231**
Dec 22										
Austria	**-169**	**-772**	**-942**	**-104**	**-85**	**+0**	**-205**	**+201**	**+129**	**-98**
EBOe & Subs.	-43	-169	-211	-19	-10	+0	-50	+49	+32	-21
Savings Banks	-91	-434	-525	-83	-29	+0	-105	+104	+66	-48
Other Austria	-36	-170	-206	-2	-46	+0	-49	+48	+32	-29
CEE	**-296**	**-975**	**-1,271**	**-80**	**-65**	**-21**	**-368**	**+280**	**+166**	**-140**
Czech Republic	-99	-332	-431	-33	-14	-16	-87	+59	+24	-20
Slovakia	-49	-122	-171	-11	-9	+0	-15	+12	+8	-5
Romania	-67	-314	-381	-14	-16	+0	-198	+171	+110	-93
Hungary	-30	-62	-91	-5	-3	+0	-38	+27	+17	-12
Croatia	-37	-127	-164	-18	-19	-6	-21	+3	+2	-1
Serbia	-15	-18	-33	-0	-4	+0	-8	+7	+5	-7
Other	**-4**	**-3**	**-7**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**	**+0**
Total	**-470**	**-1,750**	**-2,220**	**-184**	**-150**	**-21**	**-572**	**+481**	**+296**	**-238**

Loans and advances to customers

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

Loans and advances to customers comprise:

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

The tables may contain rounding differences.

Loans and advances to customers by geographical segments and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 23					
Austria	**102,247**	**11,460**	**3,071**	**2,367**	**119,145**
EBOe & Subsidiaries	35,628	2,797	1,142	564	40,132
Savings Banks	47,054	7,927	1,635	1,334	57,950
Other Austria	19,565	736	293	469	21,063
Central and Eastern Europe	**64,419**	**16,782**	**3,902**	**1,894**	**86,998**
Czech Republic	31,070	6,912	1,216	746	39,944
Romania	8,907	2,081	423	336	11,746
Slovakia	13,407	3,498	1,246	290	18,441
Hungary	3,298	1,951	615	172	6,036
Croatia	6,128	1,955	355	300	8,739
Serbia	1,610	384	47	51	2,092
Other	**512**	**4**	**19**	**0**	**535**
Total	**167,178**	**28,246**	**6,992**	**4,262**	**206,678**
Dec 22					
Austria	**101,474**	**12,717**	**2,947**	**2,328**	**119,466**
Erste Bank Oesterreich & Subsidiaries	34,092	4,426	960	587	40,066
Savings Banks	47,599	7,468	1,602	1,304	57,972
Other Austria	19,783	823	385	437	21,429
Central and Eastern Europe	**64,138**	**15,209**	**4,052**	**1,876**	**85,274**
Czech Republic	32,167	4,655	1,188	735	38,744
Romania	8,975	1,993	413	327	11,708
Slovakia	13,177	3,526	1,281	290	18,275
Hungary	3,151	1,861	694	167	5,873
Croatia	5,120	2,757	423	307	8,607
Serbia	1,548	417	52	49	2,067
Other	**1,324**	**8**	**0**	**17**	**1,349**
Total	**166,936**	**27,934**	**7,000**	**4,220**	**206,091**

Loans and advances to customers by business segments and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Mar 23					
Retail	56,974	10,050	3,165	1,362	71,551
Corporates	61,757	10,173	2,105	1,535	75,570
Group Markets	692	9	2	0	703
ALM & LCC	701	83	66	31	881
Savings Banks	47,054	7,927	1,635	1,334	57,950
GCC	0	4	19	0	23
Total	**167,178**	**28,246**	**6,992**	**4,262**	**206,678**
Dec 22					
Retail	57,514	9,391	3,007	1,362	71,274
Corporates	59,381	10,975	2,217	1,512	74,084
Group Markets	939	6	45	0	990
ALM & LCC	1,471	89	129	26	1,715
Savings Banks	47,599	7,468	1,602	1,304	57,972
GCC	33	6	0	17	56
Total	**166,936**	**27,934**	**7,000**	**4,220**	**206,091**

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

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

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

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

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

	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Mar 23												
Austria	**2,367**	**2,361**	**119,145**	**119,111**	**-1,653**	**1,208**	**1,207**	**2.0%**	**2.0%**	**70.0%**	**51.0%**	**51.1%**
EBOe & Subs	564	564	40,132	40,125	-355	340	340	1.4%	1.4%	62.9%	60.3%	60.3%
Savings Banks	1,334	1,333	57,950	57,947	-989	737	737	2.3%	2.3%	74.2%	55.2%	55.2%
Other Austria	469	464	21,063	21,039	-309	131	131	2.2%	2.2%	66.6%	28.0%	28.2%
CEE	**1,894**	**1,891**	**86,998**	**86,163**	**-2,356**	**739**	**736**	**2.2%**	**2.2%**	**124.6%**	**39.0%**	**38.9%**
Czech Republic	746	746	39,944	39,943	-875	251	251	1.9%	1.9%	117.4%	33.7%	33.7%
Romania	336	336	11,746	11,746	-571	120	120	2.9%	2.9%	169.9%	35.6%	35.6%
Slovakia	290	290	18,441	18,441	-354	147	147	1.6%	1.6%	122.0%	50.6%	50.6%
Hungary	172	168	6,036	5,202	-179	74	71	2.8%	3.2%	106.3%	43.1%	42.0%
Croatia	300	300	8,739	8,739	-318	135	135	3.4%	3.4%	106.0%	45.2%	45.2%
Serbia	51	51	2,092	2,092	-59	12	12	2.4%	2.4%	117.1%	24.4%	24.4%
Other	**0**	**0**	**535**	**534**	**0**	**0**	**0**	**0.0%**	**0.0%**	**460.5%**	**0.0%**	**0.0%**
Total	**4,262**	**4,252**	**206,678**	**205,807**	**-4,010**	**1,947**	**1,943**	**2.1%**	**2.1%**	**94.3%**	**45.7%**	**45.7%**
Dec 22												
Austria	**2,328**	**2,321**	**119,466**	**119,405**	**-1,637**	**1,223**	**1,221**	**1.9%**	**1.9%**	**70.5%**	**52.5%**	**52.6%**
EBOe & Subs	587	587	40,066	40,059	-362	370	370	1.5%	1.5%	61.7%	63.0%	63.0%
Savings Banks	1,304	1,303	57,972	57,968	-959	723	723	2.2%	2.2%	73.6%	55.5%	55.5%
Other Austria	437	431	21,429	21,378	-316	129	129	2.0%	2.0%	73.2%	29.6%	29.8%
CEE	**1,876**	**1,873**	**85,274**	**84,497**	**-2,331**	**719**	**716**	**2.2%**	**2.2%**	**124.5%**	**38.3%**	**38.2%**
Czech Republic	735	735	38,744	38,744	-863	228	228	1.9%	1.9%	117.4%	31.0%	31.0%
Romania	327	327	11,708	11,708	-560	116	116	2.8%	2.8%	171.4%	35.5%	35.5%
Slovakia	290	290	18,275	18,275	-352	147	147	1.6%	1.6%	121.3%	50.5%	50.5%
Hungary	167	164	5,873	5,096	-172	76	73	2.8%	3.2%	104.6%	45.3%	44.5%
Croatia	307	307	8,607	8,607	-325	142	142	3.6%	3.6%	105.9%	46.1%	46.1%
Serbia	49	49	2,067	2,067	-59	11	11	2.4%	2.4%	119.8%	23.2%	23.2%
Other	**17**	**14**	**1,349**	**1,349**	**-14**	**9**	**6**	**1.3%**	**1.1%**	**96.3%**	**52.0%**	**41.7%**
Total	**4,220**	**4,208**	**206,091**	**205,251**	**-3,981**	**1,951**	**1,944**	**2.0%**	**2.1%**	**94.6%**	**46.2%**	**46.2%**

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

in EUR million	Non-performing		Customer loans		Allowances	Collateral for NPL		NPL ratio		NPL coverage ratio (exc collateral)	NPL collateralisation ratio	
	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Mar 23												
Retail	1,362	1,358	71,551	70,715	-1,566	551	547	1.9%	1.9%	115.3%	40.4%	40.3%
Corporates	1,535	1,529	75,570	75,540	-1,433	650	649	2.0%	2.0%	93.7%	42.3%	42.5%
Group Markets	0	0	703	703	-2	0	0	0.0%	0.0%	3817.1%	0.0%	0.0%
ALM & LCC	31	31	881	881	-19	10	10	3.5%	3.5%	62.4%	31.2%	31.2%
Savings Banks	1,334	1,333	57,950	57,947	-989	737	737	2.3%	2.3%	74.2%	55.2%	55.2%
GCC	0	0	23	22	0	0	0	0.2%	0.2%	368.2%	0.0%	0.0%
Total	**4,262**	**4,252**	**206,678**	**205,807**	**-4,010**	**1,947**	**1,943**	**2.1%**	**2.1%**	**94.3%**	**45.7%**	**45.7%**
Dec 22												
Retail	1,362	1,359	71,274	70,496	-1,560	559	556	1.9%	1.9%	114.8%	41.0%	40.9%
Corporates	1,512	1,506	74,084	74,028	-1,429	652	652	2.0%	2.0%	94.9%	43.1%	43.3%
Group Markets	0	0	990	990	-2	0	0	0.0%	0.0%	5849.6%	28.8%	28.8%
ALM & LCC	26	26	1,715	1,715	-18	7	7	1.5%	1.5%	67.5%	27.0%	27.0%
Savings Banks	1,304	1,303	57,972	57,968	-959	723	723	2.2%	2.2%	73.6%	55.5%	55.5%
GCC	17	14	56	55	-13	9	6	31.0%	25.9%	94.0%	52.0%	41.7%
Total	**4,220**	**4,208**	**206,091**	**205,251**	**-3,981**	**1,951**	**1,944**	**2.0%**	**2.1%**	**94.6%**	**46.2%**	**46.2%**

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

in EUR million	Loans to customers				Allowances				Coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Mar 23											
Austria	**92,263**	**24,463**	**2,324**	**60**	**-120**	**-582**	**-951**	**0**	**2.4%**	**40.9%**	**0.2%**
EBOe & Subs	33,771	5,785	556	12	-32	-138	-185	0	2.4%	33.3%	0.0%
Savings Banks	44,163	12,432	1,305	48	-71	-362	-556	0	2.9%	42.6%	0.3%
Other AT	14,329	6,246	464	0	-17	-82	-210	0	1.3%	45.3%	0.0%
CEE	**69,409**	**14,711**	**1,752**	**291**	**-236**	**-866**	**-1,164**	**-90**	**5.9%**	**66.4%**	**31.1%**
Czech Republic	32,571	6,619	696	57	-82	-321	-453	-20	4.8%	65.1%	35.3%
Romania	8,679	2,703	313	51	-53	-272	-237	-9	10.1%	75.7%	18.2%
Slovakia	15,746	2,311	280	105	-43	-112	-165	-34	4.8%	59.1%	32.5%
Hungary	4,149	867	140	46	-21	-52	-93	-13	6.0%	66.3%	27.5%
Croatia	6,553	1,881	276	29	-26	-93	-185	-14	4.9%	67.1%	47.5%
Serbia	1,711	331	48	2	-11	-17	-30	-1	5.2%	63.8%	20.5%
Other	**533**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0.0%**	**1.1%**	**0.0%**
Total	**162,205**	**39,175**	**4,076**	**351**	**-356**	**-1,448**	**-2,115**	**-91**	**3.7%**	**51.9%**	**25.8%**
Dec 22											
Austria	**92,420**	**24,642**	**2,277**	**65**	**-123**	**-603**	**-910**	**-1**	**2.4%**	**40.0%**	**0.9%**
EBOe & Subs	33,461	6,008	577	12	-33	-139	-190	0	2.3%	32.9%	0.0%
Savings Banks	44,419	12,227	1,269	53	-71	-360	-527	-1	2.9%	41.5%	1.1%
Other AT	14,539	6,408	431	0	-19	-103	-193	0	1.6%	44.8%	0.0%
CEE	**68,048**	**14,428**	**1,734**	**287**	**-237**	**-851**	**-1,156**	**-87**	**5.9%**	**66.6%**	**30.3%**
Czech Republic	31,524	6,478	688	54	-80	-307	-456	-20	4.7%	66.2%	36.4%
Romania	8,759	2,593	301	54	-54	-266	-230	-10	10.3%	76.4%	17.7%
Slovakia	15,628	2,267	280	100	-44	-111	-166	-32	4.9%	59.2%	31.8%
Hungary	4,007	908	134	47	-20	-54	-86	-12	5.9%	63.8%	25.1%
Croatia	6,443	1,851	283	29	-28	-96	-188	-13	5.2%	66.4%	46.0%
Serbia	1,687	331	47	2	-11	-18	-30	0	5.3%	64.5%	22.6%
Other	**1,327**	**4**	**17**	**0**	**-2**	**0**	**-12**	**0**	**2.9%**	**68.6%**	**0.0%**
Total	**161,795**	**39,074**	**4,029**	**352**	**-361**	**-1,454**	**-2,078**	**-87**	**3.7%**	**51.6%**	**24.8%**

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

The defaulted part of POCI loans amounted to EUR 174 million (EUR 181 million), the non-defaulted part to EUR 176 million (EUR 172 million).

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

	Loans to customers				Allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Mar 23											
Retail	60,113	9,193	1,319	89	-149	-602	-793	-22	6.5%	60.1%	24.8%
Corporates	56,504	17,402	1,421	214	-134	-482	-749	-68	2.8%	52.7%	32.0%
Group Markets	580	123	0	0	-1	-1	0	0	0.5%	54.9%	57.8%
ALM & LCC	824	25	31	0	-1	-2	-17	0	7.3%	54.9%	16.6%
Savings Banks	44,163	12,432	1,305	48	-71	-362	-556	0	2.9%	42.6%	0.3%
GCC	21	1	0	0	0	0	0	0	0.0%	1.1%	0.0%
Total	**162,205**	**39,175**	**4,076**	**351**	**-356**	**-1,448**	**-2,115**	**-91**	**3.7%**	**51.9%**	**25.8%**
Dec 22											
Retail	59,702	9,385	1,321	88	-151	-598	-788	-23	6.4%	59.7%	26.1%
Corporates	55,126	17,294	1,397	211	-135	-494	-736	-64	2.9%	52.7%	30.3%
Group Markets	836	153	0	0	-1	-1	0	0	0.8%	38.0%	60.3%
ALM & LCC	1,675	14	26	0	-1	-1	-15	0	7.7%	58.3%	21.3%
Savings Banks	44,419	12,227	1,269	53	-71	-360	-527	-1	2.9%	41.5%	1.1%
GCC	36	2	17	0	-1	0	-12	0	6.9%	68.6%	0.0%
Total	**161,795**	**39,074**	**4,029**	**352**	**-361**	**-1,454**	**-2,078**	**-87**	**3.7%**	**51.6%**	**24.8%**

Loans and advances to customers by geographical segments and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Mar 23						
Austria	**112,070**	**0**	**1,900**	**2,651**	**2,524**	**119,145**
Erste Bank Oesterreich & Subsidiaries	39,225	0	833	41	32	40,132
Savings Banks	55,556	0	1,050	57	1,287	57,950
Other Austria	17,290	0	17	2,552	1,204	21,063
Central and Eastern Europe	**41,081**	**45,641**	**11**	**176**	**89**	**86,998**
Czech Republic	6,786	33,023	1	69	65	39,944
Romania	3,701	7,961	0	84	0	11,746
Slovakia	18,413	0	0	5	24	18,441
Hungary	1,859	4,172	0	5	0	6,036
Croatia	8,718	0	9	12	0	8,739
Serbia	1,604	485	0	2	0	2,092
Other	**523**	**7**	**0**	**5**	**0**	**535**
Total	**153,675**	**45,648**	**1,910**	**2,832**	**2,613**	**206,678**
Dec 22						
Austria	**111,966**	**0**	**2,027**	**2,930**	**2,543**	**119,466**
Erste Bank Oesterreich & Subsidiaries	39,117	0	871	44	34	40,066
Savings Banks	55,657	0	1,110	54	1,151	57,972
Other Austria	17,193	0	46	2,832	1,358	21,429
Central and Eastern Europe	**37,491**	**47,552**	**12**	**133**	**87**	**85,274**
Czech Republic	6,424	32,193	1	62	64	38,744
Romania	3,482	8,186	0	40	0	11,708
Slovakia	18,246	0	0	7	23	18,275
Hungary	1,857	4,008	0	6	0	5,873
Croatia	5,913	2,668	10	15	0	8,607
Serbia	1,568	496	0	3	0	2,067
Other	**1,274**	**36**	**4**	**8**	**27**	**1,349**
Total	**150,731**	**47,589**	**2,043**	**3,070**	**2,658**	**206,091**

Market risk

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

in EUR million	Dec 22	Mar 23
Interest	4.3	3.9
Currency	1.0	1.5
Shares	1.6	1.6
Commodity	0.2	0.2
Volatility	1.1	1.0
Total	**4.3**	**4.8**

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

Liquidity risk

For 2023 Erste Group Bank AG budgeted long-term issuance in the amount of EUR 4.0 billion. In the first quarter about EUR 2.6 billion were issued, thereof two benchmark transactions in January: a covered bond followed by a green senior preferred bond. The liquidity situation remained stable also in the CEE entities and did not show any significant negative impacts due to the war in Ukraine. On group level, total TLTRO participation amounted to EUR 15.2 billion.

Leverage ratio

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

As of 31 March 2023, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.2%, comfortably above the 3.0% minimum requirement defined in Article 92 Capital Requirements Regulation (CRR). Tier 1 capital amounted to EUR 22.7 billion at the reference date, while total leverage exposure stood at EUR 366.5 billion.

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

30. Related party transactions

The foundation DIE ERSTE oesterreichische Spar-Casse Privatstiftung (Privatstiftung) controls a total of 24.25% interest in Erste Group Bank AG. Privatstiftung is the largest single investor in Erste Group Bank AG. At the end of the reporting period, Erste Group had, in relation to Privatstiftung, accounts payable of EUR 7.1 million (EUR 18.6 million) and accounts receivable of EUR 0.1 million (EUR 0.0 million). At the end of the reporting period, Privatstiftung held bonds issued by Erste Group Bank AG of EUR 0.1 million (EUR 0.1 million). Erste Group received fee and commission income of EUR 0.0 million (EUR 0.1 million) as well as rental income from operating leasing of EUR 0.1 million (EUR 0.1 million).

31. Contingent liabilities – legal proceedings

There have not been any material changes since year-end 2022 in the assessment of the influence of the outcome of the litigation cases in which Erste Group Bank AG and some of its subsidiaries are involved with respect of the financial and/or earnings situation of Erste Group.

32. Fair value of financial instruments

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

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

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

Financial instruments carried at fair value

Description of valuation models and parameters

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

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

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

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

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

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

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

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined based on quoted prices in active markets, if available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. Significant input factors for the spread adjustment of Erste Group's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. In case of issued securities with structured features, optionality is taken into account as well when calculating the fair value

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

Erste Group values derivatives at mid-market levels. To reflect the potential bid-ask-spread of the relevant positions an adjustment based on market liquidity is performed. The adjustment parameters depend on product type, currency, maturity and notional size. Parameters are reviewed on a regular basis or in case of significant market moves. Netting is not applied when determining the bid-ask-spread adjustments.

Credit value adjustments (CVA) for counterparty risk and debit value adjustments (DVA) for own default credit risk are applied to OTC derivatives. For the CVA the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and Erste Group's credit quality. Erste Group has implemented an approach, where the modeling of the expected exposure is based on option replication strategies. For products where an option replication is not feasible the exposure is computed with Monte-Carlo simulation techniques. One of the two modeling approaches is considered for the most relevant portfolios and products. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default by counterparties that are not traded in an active market is determined from internal PDs mapped to a basket of liquid titles present in the central European market. Market based valuation concepts are incorporated for this. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices. Erste Group's probability of default has been derived from the buy-back levels of Erste Group's issuances. Netting has only been considered for a few counterparties where the impact was material. In these cases, netting has been applied for both CVA and DVA. For counterparties with CSA-agreements in place no CVA was taken into account for all cases with immaterial threshold amounts.

According to the described methodology the accumulated CVA-adjustments amounted to EUR 15.01 million (2022: EUR 11.4 million) and the total DVA-adjustment amounted to EUR 21.14 million (2022: EUR 21.0 million).

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

Validation and control

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

Fair value hierarchy

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

Level 1 of the fair value hierarchy

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

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

Level 2 of the fair value hierarchy

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

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

Level 3 of the fair value hierarchy

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

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

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

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

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

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

	Dec 22				Mar 23			
in EUR million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets HfT	1,829	5,624	313	7,766	1,959	4,327	186	6,472
Derivatives	10	1,677	32	1,719	14	1,631	23	1,668
Other financial assets held for trading	1,820	3,947	281	6,047	1,945	2,696	163	4,803
Non-trading financial assets - FVPL	1,337	200	1,198	2,735	1,452	171	1,246	2,870
Equity instruments	37	33	277	347	67	6	293	366
Debt securities	1,300	167	82	1,549	1,385	165	82	1,633
Loans and advances	0	0	839	839	0	0	870	870
Financial assets FVOCI	7,878	1,284	398	9,560	8,553	912	346	9,811
Hedge accounting derivatives	0	155	3	159	0	218	0	218
Total assets	**11,044**	**7,263**	**1,912**	**20,219**	**11,964**	**5,628**	**1,778**	**19,370**
Liabilities								
Financial liabilities HfT	585	2,667	12	3,264	585	2,548	7	3,139
Derivatives	8	2,608	11	2,626	8	2,491	6	2,505
Other financial liabilities held for trading	578	59	1	637	577	57	0	635
Financial liabilities - FVPL	0	10,663	151	10,814	0	11,092	135	11,227
Deposits from customers	0	1,353	0	1,353	0	1,384	0	1,384
Debt securities issued	0	9,310	0	9,310	0	9,708	0	9,708
Other financial liabilities	0	0	151	151	0	0	135	135
Hedge accounting derivatives	0	372	0	372	0	365	0	365
Total liabilities	**585**	**13,702**	**163**	**14,451**	**585**	**14,005**	**141**	**14,731**

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

Valuation process for financial instruments categorised as Level 3

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

Changes in volumes of Level 1 and Level 2

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

	Dec 22		Mar 23	
in EUR million	Level 1 to Level 2	Level 2 to Level 1	Level 1 to Level 2	Level 2 to Level 1
Financial assets HfT	**34**	**49**	**46**	**42**
Bonds	33	48	46	41
Shares	1	1	0	1
Non-trading financial assets at FVPL	**15**	**9**	**21**	**38**
Bonds	15	6	21	38
Funds	0	2	0	0
Shares	0	1	0	0
Financial assets at FVOCI	**407**	**93**	**6**	**385**
Bonds	407	93	6	385
Total	**456**	**151**	**73**	**465**

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

Movements in Level 3

Development of fair value of financial instruments in Level 3

in EUR million		Gains/ losses profit or loss	Gains/ losses OCI	Purchases	Sales	Settle-ments	Additions to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	
	Jan 23											**Mar 23**
Assets												
Financial assets HfT	313	6	0	130	-3	-221	0	0	18	-59	3	186
Derivatives	32	5	0	0	0	0	0	0	1	-15	0	23
Other financial assets held for trading	281	1	0	130	-3	-221	0	0	16	-44	3	163
Non-trading financial assets at FVPL	1,198	14	0	46	-3	-43	0	0	3	-16	47	1,246
Equity instruments	277	3	0	21	0	0	0	0	0	-9	2	293
Debt securities	82	0	0	5	-3	0	0	0	3	-7	1	82
Loans and advances	839	11	0	19	0	-43	0	0	0	-1	44	870
Financial assets FVOCI	398	0	3	10	0	-12	0	0	9	-62	0	346
Hedge accounting derivatives	3	0	0	0	0	0	0	0	0	-4	0	0
Total assets	**1,912**	**19**	**3**	**186**	**-6**	**-275**	**0**	**0**	**30**	**-141**	**50**	**1,778**
Liabilities												
Financial liabilities HfT	12	-1	0	0	0	0	0	0	0	-4	0	7
Derivatives	11	-1	0	0	0	0	0	0	0	-4	0	6
Other trading financial liabilities	1	0	0	0	0	0	0	0	0	-1	0	0
Financial liabilities at FVPL	151	4	0	7	-19	0	0	-9	0	0	0	135
Debt securities issued	0	0	0	0	0	0	0	0	0	0	0	0
Other financial liabilities	151	4	0	7	-19	0	0	-9	0	0	0	135
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	**163**	**2**	**0**	**8**	**-19**	**0**	**0**	**-9**	**0**	**-4**	**0**	**141**
	Jan 22											**Mar 22**
Assets												
Financial assets HfT	46	-24	0	5	-1	0	0	0	56	0	0	82
Derivatives	27	-21	0	0	0	0	0	0	45	0	0	51
Other financial assets held for trading	18	-2	0	5	-1	0	0	0	11	0	0	31
Non-trading financial assets at FVPL	1,173	-30	0	57	-10	-20	0	0	1	1	0	1,172
Equity instruments	283	-6	0	6	0	0	0	0	1	2	1	286
Debt securities	72	1	0	5	0	-1	0	0	0	-1	1	76
Loans and advances	818	-25	0	47	-10	-19	0	0	0	0	-1	809
Financial assets at FVOCI	470	1	-11	15	-1	-5	0	0	0	-6	2	465
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**1,689**	**-53**	**-11**	**78**	**-12**	**-25**	**0**	**0**	**57**	**-6**	**2**	**1,719**
Liabilities												
Financial liabilities HfT	9	-1	0	3	0	0	0	0	1	0	0	13
Derivatives	9	-1	0	3	0	0	0	0	1	0	0	12
Financial liabilities at FVPL	245	7	0	39	-36	0	0	0	0	-54	0	201
Debt securities issued	54	0	0	0	0	0	0	0	0	-54	0	0
Other financial liabilities	191	7	0	39	-36	0	0	0	0	0	0	201
Hedge accounting derivatives	2	-2	0	0	0	0	0	0	0	0	0	0
Total liabilities	**256**	**3**	**0**	**42**	**-36**	**0**	**0**	**0**	**1**	**-54**	**0**	**214**

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

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

in EUR million	1-3 22	1-3 23
Assets		
Financial assets HfT	-14.5	5.8
Derivatives	-12.0	4.9
Other financial assets held for trading	-2.5	1.0
Non-trading financial assets at FVPL	-31.3	13.8
Equity instruments	-5.9	2.7
Debt securities	-0.4	0.1
Loans and advances	-24.9	11.0
Financial assets at FVOCI	0.1	-0.1
Debt securities	0.1	-0.1
Hedge accounting derivatives	0.2	0.0
Total	**-45.3**	**19.5**
Liabilities		
Financial liabilities HfT	-8.0	1.4
Derivatives	-8.0	1.4
Other financial liabilities held for trading	0.0	0.0
Financial liabilities at FVPL	-6.9	-3.6
Deposits from customers	0.0	0.0
Debt securities issued	0.0	0.0
Other financial liabilities	-6.9	-3.6
Hedge accounting derivatives	2.4	0.0
Total	**-12.5**	**-2.3**

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Mar 23					
Positive fair value of derivatives	Forwards, swaps, options	31.1	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.64%-39.23% (8.23%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	12.7	Discounted cash flow	Credit Spread	0.1%-3.07% (1.44%)
	Loans	870.4	Discounted cash flow	PD	1.02%-5.95% (2.35%)
				LGD	1.90%-27.13% (8.38%)
Financial assets at FVOCI	Fixed and variable coupon bonds	225.3	Discounted cash flow	Credit Spread	0.01%-8.95% (3.5%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	199.6	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.07-1.10 Recreation 1.02-1.03 Real Estate (General/Diversified) 0.89-0.9 Real Estate (Development) 0.81 Financial Svcs. (Non-bank & Insurance) 0.4-1.05, Business & Consumer Services 1.09, Health Resort & Gesundheitszentrum GmbH 0.76, Transportation 1.05-1.06
				Country risk premium	Austria 0.49%, Croatia 2.13%, Czech Republic 0.72%, Romania 1.87-2.64%, Slovakia 1.02%, Hungary 1.62%, North Macedonia 3.06% Resulting cost of equity based on above inputs: 6.28%-13.53%
		132.6	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		0.03	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dec 22					
Positive fair value of derivatives	Forwards, swaps, options	34.5	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.05%-9.81% (5.84%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	7.5	Discounted cash flow	Credit Spread	0.17%-2.25% (0.37%)
	Loans	839.3	Discounted cash flow	PD	0.09%-5.95% (2.17%)
				LGD	0%-25.79% (5.16%)
Financial assets at FVOCI	Fixed and variable coupon bonds	237.7	Discounted cash flow	Credit Spread	0.17%-8.95% (3.22%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	198.6	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.07-1.10, Recreation 1.02-1.03, Real Estate (General/ Diversified) 0.89-0.90, Real Estate (Development) 0.81, Financial Svcs. (Non-bank & Insurance) 0.4-1.05 Business & Consumer Services 1.09 Health Resort & Gesundheitszentrum GmbH 0.76, Transportation 1.05-1.06
				Country risk premium	Austria 0.34%-0.49%, Croatia 2.13%, Czech Republic 0.72%, Romania 1.87-2.64%, Slovakia 1.02%, Hungary 1.62%, North Macedonia 3.06%; Resulting cost of equity based on above inputs: 6.28%-13.53%
		127.6	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		0.03	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

In addition to the information above, equity instruments with a fair value in amount of EUR 27.4 million (2022: EUR 26.4 million) are assessed on the basis of expert opinions.

Furthermore, for equity instruments other than participations classified as Level 3, the amount of EUR 202.5 million (2022: EUR 40.8 million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Sensitivity analysis – Fair value changes per product type using reasonably possible alternatives

	Dec 22		Mar 23	
in EUR million	Positive	Negative	Positive	Negative
Derivatives	2.9	-3.4	2.0	-3.7
Income statement	2.9	-3.4	2.0	-3.7
Debt securities	10.0	-13.3	9.8	-13.0
Income statement	2.4	-3.2	3.9	-5.3
Other comprehensive income	7.6	-10.1	5.9	-7.7
Equity instruments	64.8	-49.8	70.4	-65.4
Income statement	42.9	-35.4	49.2	-48.7
Other comprehensive income	21.9	-14.4	21.2	-16.7
Loans	15.7	-46.4	15.4	-49.1
Income statement	15.7	-46.4	15.4	-49.1
Total	**93.4**	**-112.9**	**97.6**	**-131.2**
Income statement	**63.9**	**-88.4**	**70.5**	**-106.8**
Other comprehensive income	**29.5**	**-24.5**	**27.1**	**-24.4**

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

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

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

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

in EUR million	Carrying amount (balance sheet)	Fair value	Level 1	Level 2	Level 3
Mar 23					
Assets					
Financial assets at AC	265,455	252,137	34,115	4,529	213,493
Loans and advances to banks	27,299	26,910	0	0	26,910
Loans and advances to customers	194,755	186,303	0	0	186,303
Debt securities	43,401	38,924	34,115	4,529	280
Finance lease receivables	4,640	4,586	0	0	4,586
Assets held for sale	159	156	0	0	156
Trade and other receivables	2,402	2,386	0	0	2,386
			0	0	0
Liabilities			**0**	**0**	**0**
Financial liabilities at AC	295,892	293,429	15,039	12,863	265,527
Deposits from banks	29,876	29,322	0	0	29,322
Deposits from customers	236,690	235,261	0	0	235,261
Debt securities issued	28,538	28,059	15,039	12,863	157
Other financial liabilities	787	787	0	0	787
			0	0	0
Financial guarantees and commitments			**0**	**0**	**0**
Financial guarantees	n/a	30	0	0	30
Loan commitments	n/a	615	0	0	615
Dec 22					
Assets					
Financial assets at AC	253,360	240,268	31,703	3,699	204,867
Loans and advances to banks	18,435	18,138	0	0	18,138
Loans and advances to customers	194,313	186,501	0	0	186,501
Debt securities	40,612	35,630	31,703	3,699	228
Finance lease receivables	4,553	4,499	0	0	4,499
Assets held for sale	150	150	0	0	150
Trade and other receivables	2,404	2,389	0	0	2,389
			0	0	0
Liabilities			**0**	**0**	**0**
Financial liabilities at AC	278,932	276,200	12,875	12,293	251,032
Deposits from banks	28,821	28,290	0	0	28,290
Deposits from customers	222,620	221,224	0	0	221,224
Debt securities issued	26,593	25,789	12,875	12,293	621
Other financial liabilities	899	898	0	0	898
			0	0	0
Financial guarantees and commitments			**0**	**0**	**0**
Financial guarantees	n/a	47	0	0	47
Loan commitments	n/a	529	0	0	529

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

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

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

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

For off-balance sheet liabilities (i.e. financial guarantees and unused loan commitments) the following fair value approaches are applied: the fair value of unused loan commitments is estimated using regulatory credit conversion factors. The resulting loan equivalents are treated like other on-balance sheet assets. The difference between the calculated total fair value and the notional amount of the hypothetical loan equivalents represents the fair value of the unused loan commitments. In case of the total fair value being higher than the notional amount of the hypothetical loan equivalents the unused loan commitments have a positive fair value. The fair value of financial guarantees is estimated in analogy to credit default swaps. The fair value of the guarantee is the sum of the present value of the protection leg and the present value of the premium leg. The value of the protection leg is estimated using the PDs and LGDs of the respective customers, whereas the value of the premium leg is estimated by the present value of the future fee payments to be received. If the protection leg is higher than the premium leg, financial guarantees have a negative fair value.

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

	1-3 22	1-3 23
Austria	**15,569**	**15,890**
Erste Group, EB Oesterreich and subsidiaries	8,479	8,772
Haftungsverbund savings banks	7,090	7,118
Outside Austria	**29,113**	**29,686**
Česká spořitelna Group	9,763	10,120
Banca Comercială Română Group	5,293	5,467
Slovenská sporiteľňa Group	3,635	3,576
Erste Bank Hungary Group	3,258	3,339
Erste Bank Croatia Group	3,236	3,251
Erste Bank Serbia Group	1,213	1,279
Savings banks subsidiaries	1,463	1,511
Other subsidiaries and foreign branch offices	1,252	1,142
Total	**44,682**	**45,576**

34. Own funds and capital requirements

Regulatory requirements

Since 1 January 2014, Erste Group has been calculating the regulatory own funds and the regulatory capital requirements according to the Capital Requirements Regulation (CRR, Regulation (EU) No. 575/2013) and the Capital Requirement Directive (CRD IV, Directive (EU) 2013/36/EU)[1]. Both the CRD IV and CRD V[2] were transposed into national law in the Austrian Banking Act (ABA).

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

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

Accounting principles

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

Regulatory scope of consolidation and institutional protection scheme

The consolidated regulatory own funds and the consolidated regulatory capital requirements are calculated based on the scope of consolidation stipulated in the CRR. The definition pursuant to CRR differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities, that are subject to full consolidation.

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

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

Consolidated own funds

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

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

In addition to minimum capital ratios and capital buffer requirements, institutions also have to fulfil capital requirements determined in the Supervisory Review and Evaluation Process (SREP). As a result of the 2022 SREP process performed by the European Central Bank (ECB) Erste Group applies a Pillar 2 requirement (P2R) of 1.75% as of 31 March 2023.

Following the SREP 2022, Erste Group is expected to meet a Pillar 2 Guidance (P2G) of 1.0% with CET1, valid as of 1 January 2023 onwards.

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

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

Overview of capital requirements and capital buffers

	Dec 22	Mar 23
Pillar 1		
Minimum CET1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirements	8.00%	8.00%
Combined buffer requirement (CBR)	**4.91%**	**5.32%**
Capital conservation buffer	2.50%	2.50%
Institution-specific countercyclical capital buffer	0.41%	0.57%
Systemic risk buffer (SRB)	1.00%	1.00%
O-SII capital buffer	1.00%	1.25%
Minimum CET 1 requirement (incl. CBR)	9.41%	9.82%
Minimum Tier 1 requirement (incl. CBR)	10.91%	11.32%
Minimum Own Funds requirement (incl. CBR)	12.91%	13.32%
Pillar2		
Minimum CET1 requirement	0.98%	0.98%
Minimum T1 requirement	1.31%	1.31%
Minimum Own Funds requirement	1.75%	1.75%
Pillar 2 requirement (P2R)	1.75%	1.75%
Total CET1 requirement for Pillar 1 and Pillar 2	**10.40%**	**10.81%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**12.23%**	**12.63%**
Total Own Funds requirement for Pillar 1 and Pillar 2	**14.66%**	**15.07%**

Capital structure

	Dec 22		Mar 23	
in EUR million	**Phased-in**	**Final**	**Phased-in**	**Final**
Common equity tier 1 capital (CET1)				
Capital instruments eligible as CET1	2,337	2,337	2,337	2,337
Retained earnings	15,425	15,425	15,420	15,420
Accumulated other comprehensive income	-1,820	-1,820	-1,736	-1,736
Minority interest recognised in CET1	5,866	5,866	5,881	5,881
Common equity tier 1 capital (CET1) before regulatory adjustments	**21,808**	**21,808**	**21,902**	**21,902**
Own CET1 instruments	-87	-87	-73	-73
Prudential filter: cash flow hedge reserve	197	197	165	165
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	23	23	-29	-29
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-21	-21	-21	-21
Value adjustments due to the requirements for prudent valuation	-104	-104	-99	-99
Securitisations with a risk weight of 1,250%	-31	-31	-33	-33
Goodwill	-556	-556	-557	-557
Other intangible assets	-386	-386	-379	-379
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	-219	-219	-219	-219
CET1 capital elements or deductions – other	-180	-180	-167	-167
Common equity tier 1 capital (CET1)	**20,443**	**20,443**	**20,489**	**20,489**
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1	2,236	2,236	2,236	2,236
Instruments issued by subsidiaries that are given recognition in AT1	6	6	6	6
Additional tier 1 capital (AT1) before regulatory adjustments	**2,243**	**2,243**	**2,242**	**2,242**
Own AT1 instruments	-1	-1	-1	-1
Additional tier 1 capital (AT1)	**2,241**	**2,241**	**2,241**	**2,241**
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	**22,684**	**22,684**	**22,730**	**22,730**
Tier 2 capital (T2)				
Capital instruments eligible as T2	2,782	2,782	2,912	2,912
Instruments issued by subsidiaries recognised in T2	195	195	187	187
IRB excess of provisions over expected losses eligible	575	575	597	597
Tier 2 capital (T2) before regulatory adjustments	**3,552**	**3,552**	**3,695**	**3,695**
Own T2 instruments	-51	-51	-52	-52
Tier 2 capital (T2)	**3,500**	**3,500**	**3,643**	**3,643**
Total own funds	**26,184**	**26,184**	**26,373**	**26,373**
Capital requirement	**11,343**	**11,514**	**11,631**	**11,698**
CET1 capital ratio	**14.4%**	**14.2%**	**14.1%**	**14.0%**
Tier 1 capital ratio	**16.0%**	**15.8%**	**15.6%**	**15.5%**
Total capital ratio	**18.5%**	**18.2%**	**18.1%**	**18.0%**

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

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

Risk structure

in EUR million	Dec 22 Total risk (phased-in)	Dec 22 Capital requirement (phased-in)	Mar 23 Total risk (phased-in)	Mar 23 Capital requirement (phased-in)
Total risk exposure amount	141,793	11,343	145,389	11,631
Risk-weighted assets (credit risk)	116,730	9,338	121,043	9,683
Standardised approach	20,945	1,676	21,613	1,729
IRB approach	95,780	7,662	99,424	7,954
Contribution to the default fund of a CCP	5	0	7	0
Settlement risk	11	1	1	0
Trading book, foreign FX risk and commodity risk	7,027	562	6,306	505
Operational risk	14,831	1,187	14,857	1,189
Exposure for CVA	418	33	421	34
Other exposure amounts (including Basel 1 floor)	2,775	222	2,760	221

in EUR million	Dec 22 Total risk (final)	Dec 22 Capital requirement (final)	Mar 23 Total risk (final)	Mar 23 Capital requirement (final)
Total risk exposure amount	143,926	11,514	146,220	11,698
Risk-weighted assets (credit risk)	118,863	9,509	121,874	9,750
Standardised approach	21,942	1,755	22,443	1,795
IRB approach	96,916	7,753	99,424	7,954
Contribution to the default fund of a CCP	5	0	7	0
Settlement risk	11	1	1	0
Trading book, foreign FX risk and commodity risk	7,027	562	6,306	505
Operational risk	14,831	1,187	14,857	1,189
Exposure for CVA	418	33	421	34
Other exposure amounts (including Basel 1 floor)	2,775	222	2,760	221

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

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

35. Events after the reporting date

On 5 April 2023, Česká spořitelna acquired the loan portfolio of Sberbank CZ in the nominal value of EUR 2 billion (CZK 47.1 billion) for a purchase price of EUR 1.75 billion (CZK 41.1 billion).

Abbreviations

ABA	Austrian Banking Act
AC	Amortised cost
ALCO	Asset Liability Committee
ALM	Asset Liability Management
AMA	Advanced Measurement Approach
AT1	Additional Tier 1
BCR	Banca Comercială Română S.A.
CEE	Central and Eastern Europe
CET1	Common Equity Tier 1
CGU	Cash-Generating Unit
CLA	Credit Loss Allowance
CMO	Collateralised Mortgage Obligation
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSAS	Česká spořitelna, a.s.
CVA	Credit Value Adjustments
DFR	Deposit Facility Rate
DTA	Deferred Tax Asset
DVA	Debit Value Adjustment
EAD	Exposure At Default
EBA	European Banking Authority
EBC	Erste Bank Croatia
EBH	Erste Bank Hungary Zrt.
EBOe	Erste Bank Oesterreich
ECB	European Central Bank
ECL	Expected Credit Loss
EIR	Effective interest rate
eop	end of period
ERM	Enterprise wide Risk Management
ESG	Environmental Social Governance
ESMA	European Security and Markets Authority
FLI	Forward Looking Information
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross Carrying Amount
GCC	Group Corporate Markets
HFT	Held for trading
IAS	International Accounting Standards
IC	Intercompany
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
LCC	Local Corporate Center
LGD	Loss Given Default
LT PD	Lifetime Probability of Default
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NCI	Non Controlling Interest
NFR	Non Financial Risk
NPE	Non Performing Exposure
NPL	Non Performing Loans
OCI	Other comprehensive income
O-SII	Other Systemic Important Institution
OTC	Over the Counter
P&L	Profit or loss
P2G	Pillar 2 Guidance
P2R	Pillar 2 Requirement
PD	Probability of Default
POCI	Purchased or originated credit impaired
PSU	Performance Share Unit
RAS	Risk Appetite Statement
RWA	Risk Weighted Assets
SICR	Significant increase in credit risk
SLSP	Slovenská sporiteľňa
Sparkasse Kärnten	Kärntner Sparkasse Aktiengesellschaft
Sparkasse Oberösterreich	Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft
Sparkasse Steiermark	Steiermärkische Bank und Sparkassen Aktiengesellschaft

SPPI	Solely payments of principal and interest
SREP	Supervisory Review and Evaluation Process
T1	Tier 1
T2	Tier 2
TLTRO	Target Longer-Term Refinancing Operations
UGB	Unternehmensgesetzbuch; Austrian Company Code
VAR	Value at Risk

Your Notes

Note regarding forward-looking statements

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

FINANCIAL CALENDAR

12 May 2023	Annual general meeting
31 July 2023	Half year financial report 2023
30 October 2023	Results for the first three quarters of 2023

The financial calendar is subject to change.
The latest updated version is available on Erste Group's website:
www.erstegroup.com/investorrelations

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TICKER SYMBOLS

Reuters:	ERST.VI
Bloomberg:	EBS AV
Datastream:	0:ERS
ISIN:	AT0000652011