



Interim Report

Third quarter 2023

Key financial data

Income statement

in EUR million	Q3 22	Q2 23	Q3 23	1-9 22	1-9 23
Net interest income	1,548.2	1,792.2	1,861.2	4,385.2	5,422.3
Net fee and commission income	615.1	631.9	662.9	1,829.9	1,937.6
Net trading result and gains/losses from financial instruments at FVPL	-89.5	171.3	113.1	-105.2	319.7
Operating income	2,124.0	2,662.4	2,691.6	6,270.7	7,852.8
Operating expenses	-1,096.0	-1,230.2	-1,202.4	-3,381.3	-3,674.6
Operating result	1,028.1	1,432.3	1,489.2	2,889.4	4,178.1
Impairment result from financial instruments	-184.3	8.3	-156.5	-158.3	-127.5
Post-provision operating result	843.8	1,440.5	1,332.7	2,731.1	4,050.6
Other operating result	-47.3	-8.8	-43.8	-246.5	-326.9
Levies on banking activities	-22.3	-22.0	-26.7	-133.2	-147.8
Pre-tax result from continuing operations	754.9	1,433.4	1,283.5	2,414.1	3,720.0
Taxes on income	-119.3	-253.0	-231.0	-434.5	-669.6
Net result for the period	635.6	1,180.4	1,052.5	1,979.6	3,050.4
Net result attributable to non-controlling interests	125.6	284.1	232.8	332.6	740.9
Net result attributable to owners of the parent	510.0	896.3	819.7	1,647.0	2,309.6
Earnings per share	1.19	1.98	1.90	3.73	5.26
Return on equity	12.5%	18.7%	17.7%	13.2%	16.7%
Net interest margin (on average interest-bearing assets)	2.24%	2.45%	2.50%	2.19%	2.50%
Cost/income ratio	51.6%	46.2%	44.7%	53.9%	46.8%
Provisioning ratio (on average gross customer loans)	0.37%	-0.02%	0.30%	0.11%	0.08%
Tax rate	15.8%	17.7%	18.0%	18.0%	18.0%

Balance sheet

in EUR million	Sep 22	Jun 23	Sep 23	Dec 22	Sep 23
Cash and cash balances	44,552	32,810	31,922	35,685	31,922
Trading, financial assets	57,902	64,946	63,504	59,833	63,504
Loans and advances to banks	26,721	33,454	28,094	18,435	28,094
Loans and advances to customers	198,794	204,881	206,153	202,109	206,153
Intangible assets	1,300	1,328	1,313	1,347	1,313
Miscellaneous assets	6,028	6,573	6,175	6,456	6,175
Total assets	335,297	343,993	337,161	323,865	337,161
Financial liabilities held for trading	3,175	2,788	2,428	3,264	2,428
Deposits from banks	36,158	25,669	23,223	28,821	23,223
Deposits from customers	232,450	241,082	235,773	223,973	235,773
Debt securities issued	32,331	40,646	41,089	35,904	41,089
Miscellaneous liabilities	6,598	7,072	6,961	6,599	6,961
Total equity	24,584	26,735	27,687	25,305	27,687
Total liabilities and equity	335,297	343,993	337,161	323,865	337,161
Loan/deposit ratio	85.5%	85.0%	87.4%	90.2%	87.4%
NPL ratio	2.0%	2.0%	2.0%	2.0%	2.0%
NPL coverage ratio (based on AC loans, ex collateral)	96.8%	96.7%	96.7%	94.6%	96.7%
CET1 ratio (final)	13.8%	14.9%	14.5%	14.2%	14.5%

Ratings

	Sep 22	Jun 23	Sep 23
Fitch			
Long-term	A	A	A
Short-term	F1	F1	F1
Outlook	Stable	Stable	Stable
Moody's			
Long-term	A2	A2	A1
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 posted a net profit of EUR 2.3 billion for the first nine months of 2023 as the third quarter was again marked by a strong operating performance. In the first three quarters of 2023 ongoing dynamic growth in our key income components – net interest income and net fee and commission income – that more than offset the inflation-driven rise in costs, led to a significant improvement in cost/income ratio. Continued sound credit quality and low risk costs further contributed to Erste Group's profitability. This also resulted in a further strengthening of Erste Group's capitalisation.

Expectations regarding the economic environment changed only marginally in the third quarter. In 2023, economic growth is generally projected to slow and inflation to recede in our core markets. Inflation has in fact been declining more slowly than anticipated at the beginning of the year, which is attributable to still strong labour markets and hence rising wage costs. This has been delaying the cutting of policy rates in our region. All other economic parameters have normalised in our region in line with expectations, including public debt, budget balances and current account balances, which must be viewed as positive after the imbalances caused by energy prices in the previous year.

How did this economic environment impact our business? In lending, we identified a slight improvement in growth trends after weakness in the first six months. In the euro zone countries Slovakia and Croatia, third-quarter performance was satisfactory. In the Czech Republic, growth momentum was masked by the development of the exchange rate in the third quarter. In 2023, corporate lending has not replicated the strong performance of the previous year, mainly due to subdued investor sentiment in the current economic environment but can still be considered satisfactory. Overall, loans to customers (net) grew moderately, by 2.0%, to EUR 206.2 billion. The 5.3% rise in customer deposits improved the loan-to-deposit ratio to 87.4%. A fact deserving special mention at times of increased inflationary pressure and wider availability of higher-yielding investment alternatives is the stability of retail and SME deposit volumes. At the same time, deposit volume from corporate customers, including in particular large corporates, was up significantly, which reflects strong customer trust. Overall, net interest income rose 23.7% year-to-date driven primarily by the interest rate cycle in the euro zone. The 5.9% increase in net fee and commission income was largely the result of higher income from payment services and asset management. Operating expenses were up 8.7%, in line with our forecasts.

Erste Group's funding activities were likewise successful: the issuance programme for 2023 has already been fulfilled through multiple benchmark transactions in various asset classes and private placements. In the third quarter, we made a buyback offer for an AT1 (additional tier 1 capital) instrument, which was accepted at about two-thirds of the original nominal amount, and successfully issued EUR 500 million in new AT1 capital.

In view of the result of the first three quarters I should like to fine tune the outlook for 2023 one more time and provide a first outline of our expectations for the year of 2024: for the current financial year we now project net interest income to grow by more than 20% (previously at rate of around 20%) and net fee and commission income by more than 5% (previously by around 5%). Based on the expected recovery of economic growth in our region we are also confident about the outlook for 2024 and are again aiming for a return on tangible equity (ROTE) of about 15%.

At this point, a few words on a matter I consider of high importance, namely the focus on digitalisation: a key role in digital growth and transformation is being played by George, the digital platform used by 9.5 million of our retail customers in six countries. George Business is also progressing rapidly. After its successful launch in Austria – with more than 12,000 corporate customers already registered – the step-by-step rollout of the corporate platform in the other core markets is now set to start in Romania in the first quarter of 2024.

This takes me to the final important point: by appointing Peter Bosek as new CEO from July 2024, the supervisory board has taken an important decision for the future of Erste Group. Peter Bosek has decades of management expertise acquired in Erste Group and with his experience gained in the Baltics is optimally qualified to lead our bank. He will be at the helm of a bank characterised by strong asset quality, excellent profitability and a solid capital base. You may trust that working with the well-trained and committed staff of Erste Group he will be pushing the customer business in our core markets as well as digital transformation and innovation.

Willi Cernko m.p.

Erste Group on the capital markets

EQUITY MARKET REVIEW

Global financial markets continued to be impacted by central banks' interest rate policies, inflation and macroeconomic developments in the third quarter of the year. Against the backdrop of receding inflation rates, equity markets kept moving higher until late July. Later in the quarter, expectations of an extended phase of higher interest rates and concerns regarding the development of the economy prompted some selling pressure in the markets. In September, the US Federal Reserve (Fed) announced that it would leave its policy rates at a level of 5.25% to 5.5%. Likewise in September, the European Central Bank (ECB) raised its policy rate by 25 basis points to 4.5%. This was the tenth consecutive rate hike decided by the ECB Council since July 2022.

In the third quarter, the equity markets covered initially added to the gains of the first six months, with technology and bank shares benefiting the most. In August, the equity markets started to slip into correction mode. The continued rise of government bond yields, most notably in the US driven by solid economic indicators and the resulting concern over further rate hikes by the Fed, clouded investor sentiment. In Europe, comparatively more subdued growth prospects had an additional adverse impact on equity markets. In the reporting period, the Dow Jones Euro Stoxx Bank Index, which is composed of the leading European bank shares, advanced 4.2% to 111.85 points, up 16.7% year-to-date. In the US markets, the Dow Jones Industrial Average Index ended the quarter down 2.6% at 33,507.50 points, up 1.1% year-to-date. At 4,288.05 points, the broader Standard & Poor's 500 Index was 3.6% lower quarter-on-quarter and 11.6% higher than at year-end 2022. The technology index NASDAQ gained 26.3% year-to-date to 13,219.32 points despite declining 4.1% in the third quarter. In Europe, the Euro Stoxx 600 Index had added a total of 6.0% year-to-date, rising to 450.22 points, but was down 2.5% quarter-on-quarter. The Austrian Traded Index (ATX) grew by 1.3% to 3,168.13 points in the course of the year and closed the third quarter nearly unchanged, on a gain of 0.4%.

SHARE PERFORMANCE

In the reporting period, the Erste Group share continued the uptrend seen in the first six months and recorded a gain of 2.3% for the quarter and 9.8% year-to-date. Positive momentum came from the net result for the first half of the year – which beat analyst estimates and was supported in particular by the rise in net interest income – as well as from the improved outlook and the announcement of a planned dividend of EUR 2.70 per share. The start of the share buy-back programme with a planned volume of up to EUR 300 million was likewise welcomed.

The Erste Group share marked its highest closing price of the third quarter at EUR 34.61 on 7 August and its lowest at EUR 31.65 on 10 July. At the end of the quarter, the share price stood at EUR 32.82.

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 504,015 shares per day.

ISSUING ACTIVITIES

We managed to make use of the limited market windows for EUR denominated AT1 in September by placing a new EUR 500 million perpNC April 2029 AT1. The transaction was announced alongside a tender offer targeting its legacy perpNC April 2024 AT1 to pro-actively manage the capital stack of the Group. The take-up rate of the tender offer amounted to EUR 331.2 million or 66% of the original outstanding principal amount.

As four benchmark sized trades were placed in the first half of the year (in total EUR 1.25 billion senior preferred notes as well as EUR 2 billion mortgage covered bonds) the funding plan is fulfilled and we head into the last quarter of the year with pre-funding considerations in the mortgage bond segment and may consider opportunistic private placements as well.

INVESTOR RELATIONS

In the third quarter of 2023, Erste Group's management and the investor relations team held a large number of one-on-one and group meetings, in which questions raised by investors and analysts were answered. Erste Group's performance and strategy were presented against the backdrop of the current economic environment at international banking and investor conferences hosted by Autonomous, Kepler, Barclays, ECBC and Bank of America.

Interim management report

In the interim management report, financial results from January-September 2023 are compared with those from January-September 2022 and balance sheet positions as of 30 September 2023 with those as of 31 December 2022.

EARNINGS PERFORMANCE IN BRIEF

Net interest income increased significantly to EUR 5,422.3 million (+23.7%; EUR 4,385.2 million), most strongly in Austria, on the back of higher market interest rates as well as larger loan volume. **Net fee and commission income** rose to EUR 1,937.6 million (+5.9%; EUR 1,829.9 million). Growth was registered across all core markets, most notably in payment services but also in asset management. **Net trading result** improved to EUR 337.4 million (EUR -848.5 million); the line item **gains/losses from financial instruments measured at fair value through profit or loss** declined to EUR -17.7 million (EUR 743.3 million). The development of these two line items was mostly attributable to valuation effects. **Operating income** increased to EUR 7,852.8 million (+25.2%; EUR 6,270.7 million). **General administrative expenses** were up at EUR 3,674.6 million (+8.7%; EUR 3,381.3 million). Personnel expenses rose to EUR 2,195.4 million (+11.6%; EUR 1,967.2 million) driven by salary increases. The rise in other administrative expenses to EUR 1,062.0 million (+5.8%; EUR 1,003.4 million) was primarily due to higher IT and marketing expenses. Contributions to deposit insurance schemes included in other administrative expenses – already posted upfront for the full year of 2023 – declined to EUR 119.0 million (EUR 158.4 million); most notably in Hungary (where in the comparable period of 2022, the Sberbank Europe deposit insurance case had resulted in higher expenses). Amortisation and depreciation amounted to EUR 417.3 million (+1.6%; EUR 410.7 million). Overall, the **operating result** increased markedly to EUR 4,178.1 million (+44.6%; EUR 2,889.4 million). The **cost/income ratio** improved to 46.8% (53.9%).

The **impairment result from financial instruments** amounted to EUR -127.5 million or 8 basis points of average gross customer loans (EUR -158.3 million or 11 basis points). Net allocations to provisions for loans and advances were posted in all core markets, with the exception of Croatia. Positive contributions came from net releases of provisions for commitments and guarantees as well as from income from the recovery of loans already written off (in both cases most notably in Austria). The **NPL ratio** based on gross customer loans was stable at 2.0% (2.0%). The **NPL coverage ratio** (excluding collateral) went up to 96.7% (94.6%).

Other operating result amounted to EUR -326.9 million (EUR -246.5 million). Expenses for annual contributions to resolution funds included in this line item already for the full year of 2023 declined (most notably in Austria and the Czech Republic) to EUR 113.5 million (EUR 139.1 million). Banking levies – currently payable in two core markets – increased to EUR 147.8 million (EUR 133.2 million). Thereof, EUR 118.9 million were charged in Hungary. In Austria, banking tax rose to EUR 28.9 million (EUR 24.8 million). In addition, other operating result was adversely affected by valuation effects.

Taxes on income amounted to EUR 669.6 million (EUR 434.5 million). The rise in the minority charge to EUR 740.9 million (EUR 332.6 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 2,309.6 million (EUR 1,647.0 million) on the back of the strong operating result and low risk costs.

Total equity not including AT1 instruments rose to EUR 25.3 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 21.4 billion (EUR 20.4 billion), total **own funds** (final) to EUR 27.7 billion (EUR 26.2 billion). While interim profit for the first half of the year is included in the above figures, profit of the third quarter is not. Total risk (**risk-weighted assets** including credit, market and operational risk, CRR final) rose to EUR 148.0 billion (EUR 143.9 billion). The **common equity tier 1 ratio** (CET1, final) stood at 14.5% (14.2%), the **total capital ratio** at 18.7% (18.2%).

Total assets increased to EUR 337.2 billion (+4.1%; EUR 323.9 billion). On the asset side, cash and cash balances declined to EUR 31.9 billion (EUR 35.7 billion), loans and advances to banks rose to EUR 28.1 billion (EUR 18.4 billion), most notably in Austria and the Czech Republic. **Loans and advances to customers** have risen in all core markets year to date to EUR 206.2 billion (+2.0%; EUR 202.1 billion) with both retail and corporate loans volumes growing. On the liability side, deposits from banks declined to EUR 23.2 billion (EUR 28.8 billion). **Customer deposits** rose in nearly all core markets – most strongly in Austria and the Czech Republic – to EUR 235.8 billion (+5.3%; EUR 224.0 billion). The **loan-to-deposit ratio** stood at 87.4% (90.2%).

OUTLOOK

Erste Group's goal for 2023 is to achieve a return on tangible equity (ROTE) of above 15%. Four key factors will support achievement of this goal: firstly, positive economic growth in most of the seven 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 and Romania, as well as the significantly higher euro zone interest rates; 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 of about 5%. 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 above 20%. The second most important income component – net fee and commission income – is expected to rise by more than 5%. As in 2022, positive growth momentum should again come from payment services and insurance brokerage fees, while additional contributions from 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 the exhaustion of the rates cycle in the euro zone and stable or falling rates in the CEE region. 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 less than 50%.

Based on the 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 10 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 above 15%. Erste Group's CET1 ratio is expected to remain strong. Consequently, Erste Group plans for a dividend of EUR 2.7 per share for the 2023 fiscal year. The share buy-back in a volume of up to EUR 300 million is progressing well and already deducted from capital in full.

Based on the assumption of an improving economic environment Erste Group's goal for 2024 is to achieve again a return on tangible equity (ROTE) of around 15%.

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 international (military) conflicts e.g. Russia-Ukraine or in the Mid East do not impact Erste Group directly, as it has no operating presence in the regions involved. 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	1-9 22	1-9 23	Change
Net interest income	4,385.2	5,422.3	23.7%
Net fee and commission income	1,829.9	1,937.6	5.9%
Net trading result and gains/losses from financial instruments at FVPL	-105.2	319.7	n/a
Operating income	6,270.7	7,852.8	25.2%
Operating expenses	-3,381.3	-3,674.6	8.7%
Operating result	2,889.4	4,178.1	44.6%
Impairment result from financial instruments	-158.3	-127.5	-19.4%
Other operating result	-246.5	-326.9	32.6%
Levies on banking activities	-133.2	-147.8	11.0%
Pre-tax result from continuing operations	2,414.1	3,720.0	54.1%
Taxes on income	-434.5	-669.6	54.1%
Net result for the period	1,979.6	3,050.4	54.1%
Net result attributable to non-controlling interests	332.6	740.9	>100.0%
Net result attributable to owners of the parent	1,647.0	2,309.6	40.2%

Net interest income

Net interest income rose significantly. This marked increase was due to higher market rates most notably in Austria, Hungary and Romania as well as higher customer loan volumes in nearly all core markets. In the Czech Republic, net interest income was negatively impacted by higher interest expense on deposits and slow repricing of retail loans. 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% (2.19%).

Net fee and commission income

Growth was achieved across all core markets. Significant rises were recorded in payment services in nearly all segments, with the exception of Serbia, driven by a larger number of transactions and price increases. 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 to EUR 337.4 million (EUR -848.5 million). Gains/losses from financial instruments measured at fair value through profit or loss trended in the opposite direction and deteriorated to EUR -17.7 million (EUR 743.3 million). While the valuation of debt securities in issue resulted in losses, gains were posted from the valuation of the loan portfolio measured at fair value in Hungary as well as from the valuation of the securities portfolio in Austria (in the Savings Banks segment).

General administrative expenses

in EUR million	1-9 22	1-9 23	Change
Personnel expenses	1,967.2	2,195.4	11.6%
Other administrative expenses	1,003.4	1,062.0	5.8%
Depreciation and amortisation	410.7	417.3	1.6%
General administrative expenses	3,381.3	3,674.6	8.7%

Personnel expenses increased in all core markets – most significantly in Austria, the Czech Republic and Romania – driven mostly by higher collective salary agreements. The increase in **other administrative expenses** was primarily attributable to higher IT, marketing and office-related expenses. By contrast, contributions to deposit insurance schemes declined to EUR 119.0 million (EUR 158.4 million). In Hungary, expenses fell to EUR 5.1 million (EUR 30.9 million) as contributions in the comparative period had been higher due to a deposit insurance case (Sberbank Europe). In Austria, contributions declined to EUR 78.3 million (EUR 84.5 million), in Slovakia to EUR 2.4 million (EUR 9.9 million).

The cost/income ratio improved to 46.8% (53.9%).

Headcount as of end of the period

	Dec 22	Sep 23	Change
Austria	15,790	16,160	2.3%
Erste Group, EB Oesterreich and subsidiaries	8,687	8,975	3.3%
Haftungsverbund savings banks	7,103	7,185	1.2%
Outside Austria	29,696	29,726	0.1%
Česká spořitelna Group	10,010	9,925	-0.9%
Banca Comercială Română Group	5,430	5,530	1.8%
Slovenská sporiteľňa Group	3,585	3,564	-0.6%
Erste Bank Hungary Group	3,352	3,346	-0.2%
Erste Bank Croatia Group	3,319	3,294	-0.8%
Erste Bank Serbia Group	1,260	1,306	3.7%
Savings banks subsidiaries	1,507	1,544	2.5%
Other subsidiaries and foreign branch offices	1,233	1,218	-1.2%
Total	45,485	45,886	0.9%

Impairment result from financial instruments

The impairment result from financial instruments amounted to EUR -127.5 million (EUR -158.3 million). Net allocations to provisions for loans and advances rose to EUR 202.2 million (EUR 175.6 million). Positive contributions came from income from the recovery of loans already written off, most notably in Austria, Czech Republic and Hungary, in the amount of EUR 56.9 million (EUR 61.8 million) as well as from net releases of provisions for loan commitments and financial guarantees in the amount of EUR 31.4 million (EUR 33.9 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 declined in all markets to EUR 113.5 million (EUR 139.1 million). The most notable decline was recorded in Austria, to EUR 64.9 million (EUR 74.0 million). Taxes and levies on banking activities rose to EUR 147.8 million (EUR 133.2 million). Thereof, EUR 28.9 million (EUR 24.8 million) were payable by Austrian entities. In Hungary, banking levies rose to a total of EUR 118.9 million (EUR 108.4 million): in addition to regular Hungarian banking tax of EUR 16.5 million (EUR 16.1 million), a windfall tax based on the previous year's net revenues was posted in the amount of EUR 47.9 million (EUR 49.9 million) (both upfront for the full year of 2023). Financial transaction tax amounted to EUR 52.7 million (EUR 42.4 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 18.9 million (EUR 54.3 million).

FINANCIAL RESULTS – QUARTER-ON-QUARTER COMPARISON

Financial results from the third quarter of 2023 are compared with those from the second quarter of 2023.

in EUR million	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Income statement					
Net interest income	1,548.2	1,565.4	1,769.0	1,792.2	1,861.2
Net fee and commission income	615.1	622.5	642.7	631.9	662.9
Dividend income	2.8	6.2	6.3	17.1	5.8
Net trading result	-316.0	69.9	116.7	153.7	67.0
Gains/losses from financial instruments measured at fair value through profit or loss	226.5	-12.0	-81.4	17.6	46.1
Net result from equity method investments	6.2	3.8	4.6	8.5	4.4
Rental income from investment properties & other operating leases	41.3	44.2	40.9	41.4	44.1
Personnel expenses	-672.5	-700.8	-697.5	-761.6	-736.3
Other administrative expenses	-285.7	-352.8	-408.6	-329.6	-323.8
Depreciation and amortisation	-137.7	-140.0	-135.9	-139.0	-142.3
Gains/losses from derecognition of financial assets at AC	-16.5	-4.7	-0.9	-0.1	-2.0
Other gains/losses from derecognition of financial instruments not at FVPL	-25.2	-0.1	1.1	1.7	-3.4
Impairment result from financial instruments	-184.3	-141.3	20.7	8.3	-156.5
Other operating result	-47.3	-152.1	-274.3	-8.8	-43.8
Levies on banking activities	-22.3	-53.9	-99.1	-22.0	-26.7
Pre-tax result from continuing operations	754.9	808.3	1,003.2	1,433.4	1,283.5
Taxes on income	-119.3	-121.6	-185.6	-253.0	-231.0
Net result for the period	635.6	686.7	817.6	1,180.4	1,052.5
Net result attributable to non-controlling interests	125.6	169.0	224.0	284.1	232.8
Net result attributable to owners of the parent	510.0	517.7	593.6	896.3	819.7

Net interest income rose by 3.9%, driven mainly by interest rate hikes. The strongest rise was recorded in Hungary, where net interest income had been adversely affected by one-off effects in the comparative quarter. **Net fee and commission income** was up 4.9%. While income from payment services and asset management increased, lending saw a slight downward trend. **Net trading result** deteriorated primarily due to negative valuation effects in derivatives trading. **Gains/losses from financial instruments measured at fair value through profit or loss** improved primarily on the back of valuation gains of debt securities in issue driven by market rate developments. Gains from the valuation of the loan portfolio measured at fair value in Hungary decreased to EUR 28.5 million (EUR 39.8 million).

General administrative expenses declined by 2.3%. Personnel expenses were down 3.3%, other administrative expenses were 1.8% lower. As a result, the operating result rose to EUR 1,489.2 million (EUR 1,432.3 million) and the **cost/income ratio** improved to 44.7% (46.2%).

Gains/losses from derecognition of financial instruments not measured at fair value through profit or loss amounted to EUR -5.4 million (EUR 1.6 million).

The deterioration in the **impairment result from financial instruments** was attributable in particular to allocations to provisions for credit risks in Austria as a result of parameter updates rather than defaults.

Other operating result deteriorated. Taxes and levies on banking activities amounted to EUR 26.7 million (EUR 22.0 million). Thereof, EUR 17.7 million (EUR 11.8 million) were charged in Hungary. In Austria, banking tax amounted to EUR 9.1million (EUR 10.2 million).

DEVELOPMENT OF THE BALANCE SHEET

in EUR million	Dec 22	Sep 23	Change
Assets			
Cash and cash balances	35,685	31,922	-10.5%
Trading, financial assets	59,833	63,504	6.1%
Loans and advances to banks	18,435	28,094	52.4%
Loans and advances to customers	202,109	206,153	2.0%
Intangible assets	1,347	1,313	-2.5%
Miscellaneous assets	6,456	6,175	-4.4%
Total assets	323,865	337,161	4.1%
Liabilities and equity			
Financial liabilities held for trading	3,264	2,428	-25.6%
Deposits from banks	28,821	23,223	-19.4%
Deposits from customers	223,973	235,773	5.3%
Debt securities issued	35,904	41,089	14.4%
Miscellaneous liabilities	6,599	6,961	5.5%
Total equity	25,305	27,687	9.4%
Total liabilities and equity	323,865	337,161	4.1%

Cash and cash balances amounted to EUR 31.9 billion (EUR 35.7 billion). **Trading and investment securities** held in various categories of financial assets increased to EUR 63.5 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 28.1 billion (EUR 18.4 billion). **Loans and advances to customers (net)** increased to EUR 206.2 billion (EUR 202.1 billion), most notably due to organic growth in Slovakia and Croatia as well as inorganic growth in the Czech Republic. Both retail and corporate loan volumes increased.

Loan loss allowances for loans to customers were nearly unchanged at EUR 4.1 billion (EUR 4.0 billion). The **NPL ratio** – non-performing loans as a percentage of gross customer loans – remained unchanged at 2.0% (2.0%), the NPL coverage ratio (based on gross customer loans) went up to 96.7% (94.6%).

Financial liabilities – held for trading amounted to EUR 2.4 billion (EUR 3.3 billion). **Deposits from banks**, primarily in the form of term deposits including EUR 6.8 billion (EUR 15.6 billion) carrying amount of TLTRO III funds, declined to EUR 23.2 billion (EUR 28.8 billion); **deposits from customers** increased to EUR 235.8 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 87.4% (90.2%). **Debt securities in issue** increased to EUR 41.1 billion (EUR 35.9 billion).

Total assets rose to EUR 337.2 billion (EUR 323.9 billion). **Total equity** increased to EUR 27.7 billion (EUR 25.3 billion). This includes AT1 instruments in the amount of EUR 2.4 billion. After regulatory deductions and filtering according to the Capital Requirements Regulation (CRR), **common equity tier 1 capital** (CET1, CRR final) rose to EUR 21.4 billion (EUR 20.4 billion) as did total **own funds** (CRR final) to EUR 27.7 billion (EUR 26.2 billion). While the interim profit for the first half of the year is included in the above figures, the profit of the third quarter is not. Total risk – **risk-weighted assets** including credit, market and operational risk (CRR final) – increased to EUR 148.0 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 18.7% (18.2%). The **tier 1 ratio** stood at 16.1% (15.8%), the **common equity tier 1 ratio** at 14.5% (14.2%). All ratios are CRR final.

BUSINESS DEVELOPMENT IN THE CORE MARKETS

January-September 2023 compared with January-September 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	1-9 22	1-9 23	Change
Net interest income	509.7	896.8	75.9%
Net fee and commission income	361.0	370.8	2.7%
Net trading result and gains/losses from financial instruments at FVPL	3.0	5.0	65.0%
Operating income	919.1	1,321.9	43.8%
Operating expenses	-510.3	-558.5	9.4%
Operating result	408.7	763.4	86.8%
Cost/income ratio	55.5%	42.2%	
Impairment result from financial instruments	-6.8	-35.1	>100.0%
Other result	-26.8	-44.6	66.2%
Net result attributable to owners of the parent	249.3	500.2	>100.0%
Return on allocated capital	15.0%	32.4%	

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 market interest rates leading to significant repricing of the asset side and higher customer loan volumes, which was only partially offset by repricing of liabilities and a moderate 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 largely stable. The increase of operating expenses was mainly driven by higher personnel and IT expenses. The deposit insurance contribution amounted to EUR 31.7 million (EUR 31.5 million). Overall, operating result and the cost/income ratio improved notably. Impairment result from financial instruments worsened slightly due to migrations into Stage 2 (partly driven by the review of FLI and regular parameter updates) and new defaults.. Other result deteriorated mainly due to lower real estate selling gains and higher banking tax in the amount of EUR 6.6 million (EUR 4.0 million). The payment into the resolution fund decreased to EUR 15.8 million (EUR 17.2 million). Overall, the net result attributable to owners of the parent increased.

Savings Banks

in EUR million	1-9 22	1-9 23	Change
Net interest income	847.4	1,404.8	65.8%
Net fee and commission income	465.5	487.0	4.6%
Net trading result and gains/losses from financial instruments at FVPL	-61.7	30.4	n/a
Operating income	1,286.1	1,957.7	52.2%
Operating expenses	-839.3	-913.5	8.8%
Operating result	446.8	1,044.3	>100.0%
Cost/income ratio	65.3%	46.7%	
Impairment result from financial instruments	-54.0	-93.7	73.5%
Other result	-18.6	-19.8	6.3%
Net result attributable to owners of the parent	36.7	96.9	>100.0%
Return on allocated capital	8.0%	22.0%	

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 market interest rates and higher customer loan volumes, only partially offset by higher interest expenses for repriced customer deposits and a moderate 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 increased due to higher personnel and IT expenses, partially compensated by a lower contribution to the deposit insurance fund of EUR 46.5 million (EUR 52.8 million). Consequently, operating result as well as the cost/income ratio improved notably. Impairment result from financial instruments deteriorated mainly due to rating downgrades. Other result remained largely stable, as the lower payment into the resolution fund of EUR 12.1 million (EUR 14.9 million) was offset by selling losses for bonds. Banking tax decreased to EUR 3.8 million (EUR 4.2 million). Overall, the net result attributable to the owners of the parent increased.

Other Austria

in EUR million	1-9 22	1-9 23	Change
Net interest income	460.7	495.3	7.5%
Net fee and commission income	220.8	240.5	8.9%
Net trading result and gains/losses from financial instruments at FVPL	-20.0	35.3	n/a
Operating income	698.2	812.4	16.4%
Operating expenses	-269.0	-288.5	7.2%
Operating result	429.2	523.9	22.1%
Cost/income ratio	38.5%	35.5%	
Impairment result from financial instruments	-21.4	73.4	n/a
Other result	3.7	10.5	>100.0%
Net result attributable to owners of the parent	313.9	459.9	46.5%
Return on allocated capital	16.5%	23.9%	

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

Net interest income increased due to a one-off payment related to a successful restructuring case and higher customer deposit margins in the corporate portfolio of the Holding, only partially offset by a lower contribution of money market and interest related derivatives in Group Markets of the Holding. Net fee and commission income improved due to higher asset management fees, higher lending fees in Corporate business of the Holding and higher securities fees in Group Markets in Holding. 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 as well as the cost/income ratio improved. The impairment result from financial instruments improved significantly due to pronounced rating upgrades and recoveries and muted NPL inflows. Other result improved due to real estate selling gains and a release of litigation provisions, partially offset by higher provisions for other commitments. Other result included the resolution fund contribution of EUR 6.3 million (EUR 6.0 million). Overall, the net result attributable to owners of the parent improved.

CENTRAL AND EASTERN EUROPE

Czech Republic

in EUR million	1-9 22	1-9 23	Change
Net interest income	1,066.4	977.8	-8.3%
Net fee and commission income	289.0	325.4	12.6%
Net trading result and gains/losses from financial instruments at FVPL	111.6	89.5	-19.8%
Operating income	1,478.7	1,407.1	-4.8%
Operating expenses	-642.7	-713.6	11.0%
Operating result	836.0	693.5	-17.0%
Cost/income ratio	43.5%	50.7%	
Impairment result from financial instruments	-4.6	-19.5	>100.0%
Other result	-124.1	-29.1	-76.6%
Net result attributable to owners of the parent	567.0	542.3	-4.4%
Return on allocated capital	20.1%	16.4%	

The segment analysis is done on a constant currency basis. The CZK appreciated by 3.2% 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 deposit repricing combined with a continued shift of volumes from current accounts towards savings deposits. The increase in net fee and commission income was mainly driven by higher securities fees as well as fees from insurance business. 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 as well as marketing and IT costs. Contributions into the deposit insurance fund rose to EUR 19.7 million (EUR 13.4 million). Overall, the operating result decreased, and the cost/income ratio went up. Impairment result from financial instruments was impacted by provisions related to the newly integrated Sberbank portfolio. Other result improved on the non-recurrence of the prior year selling losses from bonds, lower property impairment and lower contribution to the resolution fund of EUR 31.9 million (EUR 39.1 million). Altogether, these developments led to a decline in the net result attributable to the owners of the parent.

Slovakia

in EUR million	1-9 22	1-9 23	Change
Net interest income	331.8	383.4	15.5%
Net fee and commission income	142.7	153.9	7.9%
Net trading result and gains/losses from financial instruments at FVPL	19.7	17.9	-9.2%
Operating income	497.4	559.3	12.5%
Operating expenses	-226.5	-243.5	7.5%
Operating result	270.9	315.8	16.6%
Cost/income ratio	45.5%	43.5%	
Impairment result from financial instruments	-45.5	-28.4	-37.7%
Other result	-8.0	-6.4	-20.1%
Net result attributable to owners of the parent	167.4	218.7	30.6%
Return on allocated capital	15.2%	19.3%	

Net interest income in the Slovakia segment (comprising Slovenská sporiteľňa Group) increased due to higher customer loan volumes and higher market interest rates leading to a repricing of loans, 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 decreased on valuation effects. Operating expenses increased due to higher personnel and IT expenses, partially 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 as the previous period was impacted by downgrades in corporate business. Other result improved slightly due to the lower contribution to the resolution fund of EUR 4.4 million (EUR 5.9 million). Overall, the net result attributable to the owners of the parent increased.

Romania

in EUR million	1-9 22	1-9 23	Change
Net interest income	378.9	464.8	22.6%
Net fee and commission income	140.5	146.6	4.3%
Net trading result and gains/losses from financial instruments at FVPL	91.8	81.3	-11.4%
Operating income	626.6	701.3	11.9%
Operating expenses	-275.2	-306.6	11.4%
Operating result	351.5	394.7	12.3%
Cost/income ratio	43.9%	43.7%	
Impairment result from financial instruments	-59.1	-38.2	-35.4%
Other result	32.9	-24.1	n/a
Net result attributable to owners of the parent	272.2	279.7	2.7%
Return on allocated capital	20.6%	20.4%	

The segment analysis is done on a constant currency basis. The RON remained largely stable 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 went up mainly on higher lending fees. The decrease of the net trading result and gains/losses from financial instruments at FVPL was attributable to lower trading result from bonds, money market instruments and interest rate derivatives. Operating expenses went up mainly due to higher personnel expenses, while contributions to the deposit insurance fund decreased to EUR 4.7 million (EUR 9.3 million). Overall, operating result increased and the cost/income ratio improved moderately. Impairment result from financial instruments improved due to lower allocations driven by methodological changes. Other result deteriorated mainly on significantly lower releases of provisions for legal expenses and other commitments. The contribution to the resolution fund amounted to EUR 9.6 million (EUR 11.9 million). Overall, the net result attributable to the owners of the parent increased slightly.

Hungary

in EUR million	1-9 22	1-9 23	Change
Net interest income	292.7	260.9	-10.9%
Net fee and commission income	165.8	185.3	11.7%
Net trading result and gains/losses from financial instruments at FVPL	-97.4	106.9	n/a
Operating income	366.8	560.9	52.9%
Operating expenses	-200.1	-196.5	-1.8%
Operating result	166.7	364.4	>100.0%
Cost/income ratio	54.6%	35.0%	
Impairment result from financial instruments	1.7	-10.8	n/a
Other result	-113.9	-117.5	3.1%
Net result attributable to owners of the parent	39.9	211.0	>100.0%
Return on allocated capital	4.4%	18.3%	

The segment analysis is done on a constant currency basis. The HUF appreciated by 0.7% against the EUR in the reporting period. Net interest income in the Hungary segment (comprising Erste Bank Hungary Group) was negatively impacted by a P&L neutral shift from net trading result to interest expense (mainly intra-group transactions) as well as modification losses related to the mortgage interest cap prolongation. These developments were only partially offset by significantly higher interest rates supported by higher loan volumes and money market placements. Net fee and commission income rose on higher payment and securities fees. Net trading result and gains/losses from financial instruments at FVPL improved due to valuation effects as well as the positive impact of the P&L neutral shift to net interest income. Operating expenses declined mainly on the back of the lower contribution to the deposit insurance fund of EUR 5.1 million (EUR 30.9 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 worsened due to slight portfolio deterioration, parameter update and lower releases. The deterioration of other result was driven by higher financial transaction tax of EUR 52.7 million (EUR 42.4 million), partially offset by releases of provisions for other commitments. The banking tax remained by and large stable at EUR 66.2 million (EUR 66.0 million); it included the regular banking tax and a windfall profit tax of EUR 47.9 million (EUR 49.9 million), both already for the full year 2023. The contribution to the resolution fund decreased to EUR 2.4 million (EUR 3.7 million). Overall, the net result attributable to the owners of the parent increased.

Croatia

in EUR million	1-9 22	1-9 23	Change
Net interest income	206.6	296.2	43.4%
Net fee and commission income	88.1	91.3	3.6%
Net trading result and gains/losses from financial instruments at FVPL	31.6	12.3	-61.3%
Operating income	333.2	406.2	21.9%
Operating expenses	-174.1	-192.4	10.5%
Operating result	159.1	213.8	34.4%
Cost/income ratio	52.2%	47.4%	
Impairment result from financial instruments	53.7	35.6	-33.8%
Other result	-2.8	-6.6	>100.0%
Net result attributable to owners of the parent	117.1	137.0	17.0%
Return on allocated capital	19.1%	23.1%	

Net interest income in the Croatia segment (comprising Erste Bank Croatia Group) increased due to higher market interest rates, higher customer loan volumes as well as higher income from securities. Net fee and commission income went up due to higher securities and documentary 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 on the back of higher personnel and IT costs. The contribution into the deposit insurance fund decreased to EUR 5.0 million (EUR 6.9 million). Overall, operating result increased and the cost/income ratio improved. Impairment result from financial instruments still benefited from net releases, albeit at a lower level. Other result worsened mainly due to selling losses from bonds. The resolution fund contribution decreased to EUR 0.3 million (EUR 4.6 million). Consequently, the net result attributable to the owners of the parent increased.

Serbia

in EUR million	1-9 22	1-9 23	Change
Net interest income	59.3	81.4	37.2%
Net fee and commission income	17.1	17.4	1.7%
Net trading result and gains/losses from financial instruments at FVPL	4.2	5.4	30.4%
Operating income	80.8	105.2	30.2%
Operating expenses	-50.5	-64.7	28.2%
Operating result	30.3	40.4	33.5%
Cost/income ratio	62.5%	61.5%	
Impairment result from financial instruments	-15.5	-10.1	-34.8%
Other result	-2.7	-0.6	-78.9%
Net result attributable to owners of the parent	9.2	21.9	>100.0%
Return on allocated capital	5.3%	11.8%	

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 increased marginally. The net trading result and gains/losses from financial instruments at FVPL improved on higher contribution of foreign currency transactions. Operating expenses rose mainly due to higher personnel and IT costs. Deposit insurance contribution increased to EUR 3.9 million (EUR 3.6 million). Consequently, operating result increased and the cost/income ratio improved. Impairment result from financial instruments improved on a lower allocations for stage overlays. 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 30 September 2023

Consolidated statement of income

in EUR thousand	Notes	1-9 22	1-9 23
Net interest income	1	4,385,204	5,422,321
Interest income	1	5,820,871	11,125,380
Other similar income	1	1,711,629	3,342,269
Interest expenses	1	-1,381,917	-4,978,950
Other similar expenses	1	-1,765,378	-4,066,378
Net fee and commission income	2	1,829,928	1,937,601
Fee and commission income	2	2,160,990	2,290,358
Fee and commission expenses	2	-331,062	-352,756
Dividend income	3	22,879	29,133
Net trading result	4	-848,515	337,402
Gains/losses from financial instruments measured at fair value through profit or loss	5	743,332	-17,660
Net result from equity method investments		14,267	17,561
Rental income from investment properties & other operating leases	6	123,632	126,400
Personnel expenses	7	-1,967,203	-2,195,405
Other administrative expenses	7	-1,003,421	-1,061,977
Depreciation and amortisation	7	-410,717	-417,262
Gains/losses from derecognition of financial assets measured at amortised cost	8	-47,293	-3,010
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	9	-23,210	-596
Impairment result from financial instruments	10	-158,281	-127,536
Other operating result	11	-246,481	-326,933
Levies on banking activities	11	-133,212	-147,814
Pre-tax result from continuing operations		2,414,120	3,720,038
Taxes on income	12	-434,542	-669,607
Net result for the period		1,979,579	3,050,431
Net result attributable to non-controlling interests		332,555	740,879
Net result attributable to owners of the parent		1,647,024	2,309,552

Earnings per share

		1-9 22	1-9 23
Net result attributable to owners of the parent	in EUR thousand	1,647,024	2,309,552
Dividend on AT1 capital (after tax effect)	in EUR thousand	-53,438	-58,691
Net result for the period attributable to owners of the parent after deduction of AT1 capital dividend	in EUR thousand	1,593,586	2,250,862
Weighted average undiluted number of outstanding shares		426,725,401	427,526,716
Earnings per share	in EUR	3.73	5.26
Weighted average diluted number of outstanding shares		426,725,401	427,890,543
Diluted earnings per share	in EUR	3.73	5.26

Development of the number of shares

	1-9 22	1-9 23
Shares outstanding at the beginning of the period	405,434,710	407,175,838
Acquisition of treasury shares	-7,939,569	-7,845,325
Disposal of treasury shares	9,699,697	8,101,327
Capital increase/ decrease	0	-4,050,690
Shares outstanding at the end of the period	407,194,838	403,381,150
Treasury shares	22,605,162	22,368,160
Number of shares issued at the end of the period	429,800,000	425,749,310
Weighted average undiluted number of outstanding shares	426,725,401	427,526,716
Weighted average diluted number of outstanding shares	426,725,401	427,890,543

Consolidated statement of comprehensive income

in EUR thousand	1-9 22	1-9 23
Net result for the period	1,979,578	3,050,431
Other comprehensive income		
Items that may not be reclassified to profit or loss	391,056	-24,884
Remeasurement of defined benefit plans	205,308	3,764
Fair value reserve of equity instruments	-11,685	-1,524
Own credit risk reserve	286,332	-15,801
Deferred taxes relating to items that may not be reclassified	-88,900	-11,322
Items that may be reclassified to profit or loss	-587,629	201,143
Fair value reserve of debt instruments	-592,556	127,378
Gain/loss during the period	-615,416	118,978
Reclassification adjustments	24,036	7,887
Credit loss allowances	-1,176	514
Cash flow hedge reserve	-39,192	146,228
Gain/loss during the period	7,888	271,567
Reclassification adjustments	-47,080	-125,339
Currency reserve	-81,904	-32,971
Gain/loss during the period	-81,904	-32,971
Deferred taxes relating to items that may be reclassified	126,288	-39,500
Gain/loss during the period	122,173	-63,402
Reclassification adjustments	4,115	23,902
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	-266	8
Total other comprehensive income	-196,574	176,259
Total comprehensive income	1,783,005	3,226,690
Total comprehensive income attributable to non-controlling interests	296,699	752,848
Total comprehensive income attributable to owners of the parent	1,486,305	2,473,842

Quarterly results

in EUR million	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23
Income statement					
Net interest income	1,548.2	1,565.4	1,769.0	1,792.2	1,861.2
Interest income	2,312.8	2,801.8	3,388.2	3,765.1	3,972.1
Other similar income	698.1	905.9	1,068.2	1,162.1	1,111.9
Interest expenses	-728.1	-1,187.3	-1,412.1	-1,712.1	-1,854.7
Other similar expenses	-734.7	-955.1	-1,275.4	-1,423.0	-1,368.1
Net fee and commission income	615.1	622.5	642.7	631.9	662.9
Fee and commission income	728.2	727.7	746.5	753.7	790.1
Fee and commission expenses	-113.2	-105.3	-103.8	-121.7	-127.2
Dividend income	2.8	6.2	6.3	17.1	5.8
Net trading result	-316.0	69.9	116.7	153.7	67.0
Gains/losses from financial instruments measured at fair value through profit or loss	226.5	-12.0	-81.4	17.6	46.1
Net result from equity method investments	6.2	3.8	4.6	8.5	4.4
Rental income from investment properties & other operating leases	41.3	44.2	40.9	41.4	44.1
Personnel expenses	-672.5	-700.8	-697.5	-761.6	-736.3
Other administrative expenses	-285.7	-352.8	-408.6	-329.6	-323.8
Depreciation and amortisation	-137.7	-140.0	-135.9	-139.0	-142.3
Gains/losses from derecognition of financial assets at AC	-16.5	-4.7	-0.9	-0.1	-2.0
Other gains/losses from derecognition of financial instruments not at FVPL	-25.2	-0.1	1.1	1.7	-3.4
Impairment result from financial instruments	-184.3	-141.3	20.7	8.3	-156.5
Other operating result	-47.3	-152.1	-274.3	-8.8	-43.8
Levies on banking activities	-22.3	-53.9	-99.1	-22.0	-26.7
Pre-tax result from continuing operations	754.9	808.3	1,003.2	1,433.4	1,283.5
Taxes on income	-119.3	-121.6	-185.6	-253.0	-231.0
Net result for the period	635.6	686.7	817.6	1,180.4	1,052.5
Net result attributable to non-controlling interests	125.6	169.0	224.0	284.1	232.8
Net result attributable to owners of the parent	510.0	517.7	593.6	896.3	819.7
Statement of comprehensive income					
Net result for the period	635.6	686.7	817.6	1,180.4	1,052.5
Other comprehensive income					
Items that may not be reclassified to profit or loss	51.8	-150.9	61.6	-105.6	19.0
Remeasurement of defined benefit plans	43.1	-106.1	10.8	-44.8	37.7
Fair value reserve of equity instruments	0.4	-21.4	-0.5	-2.7	1.6
Own credit risk reserve	17.6	-47.0	70.1	-74.4	-11.5
Deferred taxes relating to items that may not be reclassified	-9.2	23.6	-18.8	16.3	-8.8
Items that may be reclassified to profit or loss	-85.0	228.2	304.9	38.9	-142.6
Fair value reserve of debt instruments	-113.1	32.1	58.1	42.9	26.4
Gain/loss during the period	-140.1	29.3	55.8	43.6	19.5
Reclassification adjustments	25.4	0.7	3.2	-0.3	5.0
Credit loss allowances	1.6	2.2	-0.9	-0.3	1.8
Cash flow hedge reserve	40.2	49.1	39.2	65.6	41.4
Gain/loss during the period	61.0	55.4	30.5	119.5	121.6
Reclassification adjustments	-20.8	-6.3	8.8	-53.9	-80.2
Currency reserve	-27.9	160.9	224.0	-48.8	-208.2
Gain/loss during the period	-27.9	160.9	224.0	-48.8	-208.2
Deferred taxes relating to items that may be reclassified	15.9	-13.8	-16.2	-21.1	-2.2
Gain/loss during the period	16.8	-15.0	-14.5	-31.5	-17.4
Reclassification adjustments	-0.9	1.1	-1.7	10.3	15.2
Share of other comprehensive income of associates and joint ventures accounted for by the equity method	-0.1	-0.1	-0.3	0.3	0.0
Total	-33.1	77.3	366.5	-66.7	-123.6
Total comprehensive income	602.4	764.0	1,184.1	1,113.7	928.9
Total comprehensive income attributable to non-controlling interests	104.1	130.0	237.0	265.4	250.5
Total comprehensive income attributable to owners of the parent	498.4	634.0	947.1	848.3	678.4

Consolidated balance sheet

in EUR thousand	Notes	Dec 22	Sep 23
Assets			
Cash and cash balances	13	35,684,789	31,921,627
Financial assets held for trading		7,765,560	6,971,251
Derivatives	19	1,718,677	1,356,531
Other financial assets held for trading	20	6,046,883	5,614,720
Pledged as collateral		94,419	188,752
Non-trading financial assets at fair value through profit and loss	21	2,735,267	2,888,523
Pledged as collateral		0	0
Equity instruments		346,644	384,197
Debt securities		1,549,323	1,555,012
Loans and advances to customers		839,299	949,314
Financial assets at fair value through other comprehensive income	17	9,559,536	10,227,017
Pledged as collateral		698,497	392,147
Equity instruments		99,157	98,417
Debt securities		9,460,379	10,128,601
Financial assets at amortised cost	14	253,360,015	270,285,519
Pledged as collateral		1,760,916	3,507,506
Debt securities		40,611,716	44,366,507
Loans and advances to banks		18,435,476	28,094,153
Loans and advances to customers		194,312,823	197,824,859
Finance lease receivables	18	4,552,932	4,869,321
Hedge accounting derivatives	22	158,741	204,420
Fair value changes of hedged items in portfolio hedge of interest rate risk		-37,836	-35,170
Property and equipment		2,617,998	2,592,991
Investment properties		1,372,160	1,456,688
Intangible assets		1,347,143	1,313,096
Investments in associates and joint ventures		208,572	225,235
Current tax assets		108,939	113,141
Deferred tax assets		628,721	450,344
Assets held for sale		167,188	173,162
Trade and other receivables	15	2,403,677	2,509,607
Other assets	23	1,231,555	994,323
Total assets		323,864,958	337,161,094
Liabilities and equity			
Financial liabilities held for trading		3,263,683	2,428,081
Derivatives	19	2,626,452	1,918,164
Other financial liabilities held for trading	24	637,231	509,917
Financial liabilities at fair value through profit or loss		10,814,460	10,930,681
Deposits from customers		1,352,821	1,015,672
Debt securities issued	25	9,310,409	9,781,191
Other financial liabilities		151,230	133,817
Financial liabilities at amortised cost		278,932,459	290,402,377
Deposits from banks	16	28,820,800	23,223,089
Deposits from customers	16	222,619,717	234,757,732
Debt securities issued	16	26,593,433	31,307,403
Other financial liabilities		898,509	1,114,153
Lease liabilities		662,107	684,039
Hedge accounting derivatives	22	372,463	299,595
Provisions	26	1,676,010	1,636,416
Current tax liabilities		127,296	174,289
Deferred tax liabilities		15,569	3,426
Liabilities associated with assets held for sale		114,862	119,340
Other liabilities	27	2,581,311	2,795,773
Total equity		25,304,739	27,687,077
Equity attributable to non-controlling interests		5,957,142	6,671,907
Additional equity instruments		2,236,153	2,393,854
Equity attributable to owners of the parent		17,111,444	18,621,317
Subscribed capital		859,600	851,499
Additional paid-in capital		1,477,720	1,485,822
Retained earnings and other reserves		14,774,123	16,283,998
Total liabilities and equity		323,864,958	337,161,094

Consolidated statement of changes in equity

in EUR million	Subscribed capital	Additional paid-in capital	Retained earnings	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency reserve	Remeasurement of defined benefit plans	Equity attributable to owners of the parent	Additional equity instruments	Equity attributable to non-controlling interests	Total equity
As of 1 January 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	3	0	0	0	0	0	3	0	0	3
Dividends paid	0	0	-827	0	0	0	0	0	-827	0	-61	-888
Capital increase/decrease	-8	8	-133	0	0	0	0	0	-133	158	0	24
Changes in scope of consolidation and ownership interest	0	0	-5	0	0	0	0	0	-5	0	22	17
Reclassification from other comprehensive income to retained earnings	0	0	2	0	0	-1	0	0	0	0	1	1
Share-based payments	0	0	-3	0	0	0	0	0	-3	0	0	-3
Other changes	0	0	1	0	0	0	0	0	1	0	0	1
Total comprehensive income	0	0	2,310	118	105	-29	-33	3	2,474	0	753	3,227
Net result for the period	0	0	2,310	0	0	0	0	0	2,310	0	741	3,050
Other comprehensive income	0	0	0	118	105	-29	-33	3	164	0	12	176
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	3	3	0	0	3
Change in fair value reserve	0	0	0	0	105	0	0	0	105	0	10	115
Change in cash flow hedge reserve	0	0	0	118	0	0	0	0	118	0	0	118
Change in currency reserve	0	0	0	0	0	0	-33	0	-33	0	0	-33
Change in own credit risk reserve	0	0	0	0	0	-29	0	0	-29	0	2	-27
As of 30 September 2023	851	1,486	17,671	-78	-159	-54	-627	-469	18,621	2,394	6,672	27,687
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	16	0	0	0	0	0	16	0	0	16
Dividends paid	0	0	-700	0	0	0	0	0	-700	0	-91	-791
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	-34	0	0	0	0	0	-34	0	114	80
Reclassification from other comprehensive income to retained earnings	0	0	-5	0	0	3	0	0	-1	0	-7	-8
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	1,647	-31	-391	219	-81	123	1,486	0	297	1,783
Net result for the period	0	0	1,647	0	0	0	0	0	1,647	0	333	1,980
Other comprehensive income	0	0	0	-31	-391	219	-81	123	-161	0	-36	-197
Change from remeasurement of defined benefit plans	0	0	0	0	0	0	0	123	123	0	55	178
Change in fair value reserve	0	0	0	0	-391	0	0	0	-391	0	-91	-483
Change in cash flow hedge reserve	0	0	0	-31	0	0	0	0	-31	0	0	-31
Change in currency reserve	0	0	0	0	0	0	-81	0	-81	0	-1	-82
Change in own credit risk reserve	0	0	0	0	0	219	0	0	219	0	2	221
As of 30 September 2022	860	1,478	15,849	-237	-276	15	-753	-415	16,521	2,236	5,827	24,584

At the 30th Annual General Meeting of Erste Group, the management board was authorized, with the approval of the supervisory board, to repurchase own shares up to 10% of the share capital within a period of 30 months and to cancel own shares pursuant to section 65 (1) 8 in conjunction with section 192 of the Austrian Stock Corporation Act. After approval by the ECB on 1 August 2023, the management board and supervisory board of Erste Group decided to launch a share buyback program with a volume of up to EUR 300 million. The share buyback program started on 16 August 2023 and by the reporting date of 30 September 2023, 4,050,690 treasury shares with acquisition costs of EUR 133 million had been repurchased.

According to the Austrian Stock Corporation Act, this capital reduction is only effective once the capital reduction measure has been entered in the commercial register and the cancellation of the underlying treasury shares has been resolved and implemented. In accordance with Section 229 (1a) UGB, a reduced subscribed capital is already shown in the unconsolidated financial statements when treasury shares are repurchased. In accordance with IAS 32.33, this presentation is also followed in the consolidated financial statements. The shares repurchased by 30 September 2023 are treated as treasury shares in the information on the number of shares held.

Consolidated statement of cash flows

in EUR million	1-9 22	1-9 23
Net result for the period	1,980	3,050
Non-cash adjustments for items in net profit/loss for the year		
Depreciation, amortisation and net impairment of non-financial assets	426	417
Net allocation to credit loss allowances and other provisions	159	152
Gains/losses from measurement and derecognition of financial assets and financial liabilities	80	281
Other adjustments	59	-135
Changes in assets and liabilities from operating activities after adjustment for non-cash components		
Financial assets held for trading	1,031	855
Non-trading financial assets at fair value through profit and loss		
Equity instruments	-36	-38
Debt securities	173	6
Loans and advances to banks	10	0
Loans and advances to customers	-26	-29
Financial assets at fair value through other comprehensive income: debt securities	-791	-572
Financial assets at amortised cost		
Debt securities	-5,748	-3,749
Loans and advances to banks	-5,737	-9,667
Loans and advances to customers	-18,441	-3,708
Finance lease receivables	-113	-321
Hedge accounting derivatives	-51	72
Other assets from operating activities	-202	301
Financial liabilities held for trading	-29	-1,157
Financial liabilities at fair value through profit or loss	763	-25
Financial liabilities at amortised cost		
Deposits from banks	4,273	-5,598
Deposits from customers	21,099	12,138
Debt securities issued	1,433	4,714
Other financial liabilities	-340	216
Hedge accounting derivatives	70	-73
Other liabilities from operating activities	-5	184
Cash flow from operating activities	36	-2,685
Proceeds of disposal		
Financial assets at fair value through other comprehensive income: equity instruments	10	15
Investments in associates and joint ventures	11	1
Property and equipment and intangible assets	63	29
Investment properties	10	13
Acquisition of		
Financial assets at fair value through other comprehensive income: equity instruments	-1	0
Property and equipment and intangible assets	-321	-301
Investment properties	-9	-6
Cash flow from investing activities	-236	-249
Capital increases/ decreases	-2	24
Changes in ownership interests that do not result in a loss of control	80	17
Dividends paid to equity holders of the parent	-700	-827
Dividends paid to non-controlling interests	-91	-61
Cash flow from financing activities	-713	-847
Cash and cash equivalents at the beginning of the period	45,495	35,685
Cash flow from operating activities	36	-2,685
Cash flow from investing activities	-236	-249
Cash flow from financing activities	-713	-847
Effect of currency translation	-30	18
Cash and cash equivalents at the end of period	44,552	31,922
Cash flows related to taxes, interest and dividends (included in cash flow from operating activities)	3,772	6,117
Payments for taxes on income	-406	-236
Interest received	7,573	15,894
Dividends received	23	29
Interest paid	-3,418	-9,571

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

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

CONSOLIDATION SCOPE

IFRS consolidation scope - evolution 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	-12
Mergers	-2
As of 30 September 2023	301

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	1-9 22	1-9 23
Financial assets at AC	5,655.5	10,845.6
Financial assets at FVOCI	165.4	279.8
Interest income	5,820.9	11,125.4
Non-trading financial assets at FVPL	47.5	62.1
Financial assets HFT	1,475.9	3,168.2
Derivatives - hedge accounting, interest rate risk	-87.9	-78.1
Other assets	90.0	175.7
Negative interest from financial liabilities	186.1	14.3
Other similar income	1,711.6	3,342.3
Interest and other similar income	7,532.5	14,467.6
Financial liabilities at AC	-1,381.9	-4,979.0
Interest expenses	-1,381.9	-4,979.0
Financial liabilities at FVPL	-185.3	-250.3
Financial liabilities HFT	-1,531.2	-3,454.6
Derivatives - hedge accounting, interest rate risk	74.1	-320.8
Other liabilities	-19.3	-39.1
Negative Interest from financial assets	-103.5	-1.6
Other similar expenses	-1,765.4	-4,066.4
Interest and other similar expenses	-3,147.3	-9,045.3
Net interest income	4,385.2	5,422.3

An amount of EUR 128.4 million (EUR 67.0 million) relating to impaired financial assets is included in various line items of net interest income. In addition, the line item “Financial assets at AC” includes modification gains or losses of financial instruments which are allocated to the Stage 1 of EUR 4.2 million (EUR 8.7 million).

2. Net fee and commission income

in EUR million	1-9 22		1-9 23	
	Income	Expenses	Income	Expenses
Securities	218.7	-42.4	215.6	-43.0
Issues	39.1	-0.5	43.3	-0.7
Transfer orders	166.6	-32.9	157.9	-32.1
Other	13.0	-9.0	14.4	-10.2
Clearing and settlement	1.4	-3.2	2.4	-0.9
Asset management	390.4	-36.7	421.4	-37.6
Custody	91.7	-12.0	91.5	-11.9
Fiduciary transactions	1.0	0.0	1.0	-0.1
Payment services	1,007.1	-179.6	1,090.2	-209.4
Card business	302.8	-120.9	333.8	-140.7
Other	704.2	-58.7	756.5	-68.7
Customer resources distributed but not managed	200.2	-5.8	204.2	-8.1
Collective investment	17.7	-1.7	17.2	-2.0
Insurance products	152.8	-0.5	166.5	-1.1
Foreign exchange transactions	27.3	-2.1	18.5	-1.6
Other	2.4	-1.6	2.1	-3.4
Structured finance	0.4	0.0	0.4	0.0
Servicing fees from securitization activities	0.0	-0.8	0.0	-0.5
Lending business	159.8	-29.8	183.0	-23.4
Guarantees given, guarantees received	69.3	-2.4	75.5	-3.6
Loan commitments given, loan commitments received	30.9	-0.8	37.5	-0.6
Other lending business	59.5	-26.6	69.9	-19.1
Other	90.4	-20.8	80.7	-17.9
Total fee and commission income and expenses	2,161.0	-331.1	2,290.4	-352.8
Net fee and commission income	1,829.9		1,937.6	

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

3. Dividend income

in EUR million	1-9 22	1-9 23
Financial assets HFT	2.3	3.9
Non-trading financial assets at FVPL	12.3	16.4
Financial assets at FVOCI	8.3	8.9
Dividend income	22.9	29.1

4. Net trading result

in EUR million	1-9 22	1-9 23
Securities and derivatives trading	-888.0	86.0
Foreign exchange transactions	56.0	256.3
Result from hedge accounting	-16.5	-4.9
Net trading result	-848.5	337.4

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

in EUR million	1-9 22	1-9 23
Result from measurement/sale of financial assets designated at FVPL	-19.2	4.3
Result from measurement/repurchase of financial liabilities designated at FVPL	975.9	-111.9
Result from financial assets and liabilities designated at FVPL	956.8	-107.6
Result from measurement/sale of financial assets mandatorily at FVPL	-213.4	90.0
Gains/losses from financial instruments measured at fair value through profit or loss	743.3	-17.7

6. Rental income from investment properties & other operating leases

in EUR million	1-9 22	1-9 23
Investment properties	81.4	91.9
Other operating leases	42.2	34.5
Rental income from investment properties & other operating leases	123.6	126.4

7. General administrative expenses

in EUR million	1-9 22	1-9 23
Personnel expenses	-1,967.2	-2,195.4
Wages and salaries	-1,509.2	-1,674.3
Compulsory social security	-370.2	-398.5
Long-term employee provisions	3.8	-14.8
Other personnel expenses	-91.7	-107.8
Other administrative expenses	-1,003.4	-1,062.0
Deposit insurance contribution	-158.4	-119.0
IT expenses	-367.5	-403.2
Expenses for office space	-131.2	-147.6
Office operating expenses	-109.0	-117.1
Advertising/marketing	-111.0	-131.7
Legal and consulting costs	-78.9	-83.2
Sundry administrative expenses	-47.4	-60.3
Depreciation and amortisation	-410.7	-417.3
Software and other intangible assets	-144.7	-140.5
Owner occupied real estate	-118.9	-125.0
Investment properties	-23.2	-23.8
Customer relationships	-5.5	-5.5
Office furniture and equipment and sundry property and equipment	-118.4	-122.5
General administrative expenses	-3,381.3	-3,674.6

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

in EUR million	1-9 22	1-9 23
Gains from derecognition of financial assets at AC	0.4	0.3
Losses from derecognition of financial assets at AC	-47.7	-3.3
Gains/losses from derecognition of financial assets measured at amortised cost	-47.3	-3.0

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

in EUR million	1-9 22	1-9 23
Sale of financial assets at FVOCI	-23.8	-7.9
Sale of financial lease receivables	0.0	0.0
Derecognition of financial liabilities at AC	0.6	7.3
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	-23.2	-0.6

10. Impairment result from financial instruments

in EUR million	1-9 22	1-9 23
Financial assets at FVOCI	1.3	-1.3
Financial assets at AC	-151.1	-153.9
Net allocation to credit loss allowances	-198.6	-197.9
Direct write-offs	-6.1	-4.5
Recoveries recorded directly to the income statement	59.3	55.9
Modification gains or losses	-5.7	-7.4
Finance lease receivables	25.5	-3.7
Net allocation to credit loss allowances	23.0	-4.3
Direct write-offs	-0.1	-0.4
Recoveries recorded directly to the income statement	2.5	1.0
Credit loss allowances for loan commitments and financial guarantees given	-33.9	31.4
Impairment result from financial instruments	-158.3	-127.5

11. Other operating result

in EUR million	1-9 22	1-9 23
Other operating expenses	-385.8	-341.9
Allocation to other provisions	-105.2	-73.5
Levies on banking activities	-133.2	-147.8
Banking tax	-90.7	-95.1
Financial transaction tax	-42.5	-52.7
Other taxes	-8.3	-7.1
Resolution fund contributions	-139.1	-113.5
Other operating income	159.6	92.4
Release of other provisions	159.6	92.4
Result from properties and equipment, investment properties and other intangible assets	0.4	6.5
Result from other operating expenses/income	-20.6	-83.9
Other operating result	-246.5	-326.9

12. Taxes on income

The consolidated net tax expense for the reporting period amounted to EUR 669.6 million (EUR 434.5 million), thereof EUR 114.6 million (EUR 20.6 million) deferred tax expense.

13. Cash and cash balances

in EUR million	Dec 22	Sep 23
Cash on hand	3,796	3,203
Cash balances at central banks	31,167	27,253
Other demand deposits at credit institutions	722	1,466
Cash and cash balances	35,685	31,922

14. Financial assets at amortised cost

Debt securities

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Sep 23									
Central banks	15	0	0	15	0	0	0	0	15
General governments	35,304	98	0	35,401	-9	0	0	-9	35,392
Credit institutions	7,672	11	0	7,683	-5	0	0	-5	7,677
Other financial corporations	357	43	1	401	0	-1	-1	-2	399
Non-financial corporations	707	179	3	890	-1	-3	-3	-7	883
Total	44,055	331	5	44,390	-15	-4	-4	-24	44,367
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 30 September 2023.

Loans and advances to banks

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Sep 23									
Central banks	21,932	0	0	21,932	0	0	0	0	21,931
Credit institutions	5,949	226	0	6,175	-7	-5	0	-12	6,163
Total	27,881	226	0	28,106	-8	-5	0	-12	28,094
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 30 September 2023.

Loans and advances to customers

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Sep 23											
General governments	7,279	319	55	5	7,657	-5	-17	-6	0	-29	7,629
Other financial corporations	4,194	886	102	10	5,192	-10	-17	-38	0	-65	5,127
Non-financial corporations	64,236	26,227	1,955	242	92,660	-182	-872	-977	-75	-2,107	90,554
Households	82,210	12,151	1,802	104	96,267	-154	-613	-964	-20	-1,752	94,515
Total	157,918	39,582	3,914	362	201,776	-352	-1,519	-1,985	-96	-3,952	197,825
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	
Sep 23											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	46	18	0	0	65	0	0	0	0	0	64
Credit institutions	28	2	0	0	29	0	0	0	0	0	29
Other financial corporations	61	13	0	0	74	0	0	0	0	0	74
Non-financial corporations	1,390	825	35	1	2,251	-8	-5	-29	-1	-43	2,209
Households	120	19	15	0	154	-2	-4	-13	0	-20	134
Total	1,645	876	51	1	2,573	-11	-10	-42	-1	-63	2,510
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	Sep 23
Overnight deposits	1,951	1,954
Term deposits	25,066	17,193
Repurchase agreements	1,803	4,076
Deposits from banks	28,821	23,223

Deposits from customers

in EUR million	Dec 22	Sep 23
Overnight deposits	171,576	163,181
Savings deposits	46,558	51,233
Other financial corporations	222	283
Non-financial corporations	2,050	3,081
Households	44,286	47,869
Non-savings deposits	125,018	111,948
General governments	7,070	8,445
Other financial corporations	7,991	5,247
Non-financial corporations	37,420	32,388
Households	72,537	65,869
Term deposits	49,646	68,269
Deposits with agreed maturity	43,331	66,131
Savings deposits	21,312	27,811
Other financial corporations	1,056	1,016
Non-financial corporations	1,813	3,094
Households	18,444	23,701
Non-savings deposits	22,019	38,320
General governments	3,967	5,352
Other financial corporations	4,605	13,905
Non-financial corporations	6,924	9,662
Households	6,523	9,402
Deposits redeemable at notice	6,315	2,139
General governments	5	1
Other financial corporations	118	130
Non-financial corporations	278	315
Households	5,913	1,693
Repurchase agreements	1,398	3,308
General governments	12	852
Other financial corporations	1,386	2,444
Non-financial corporations	0	12
Deposits from customers	222,620	234,758
General governments	11,054	14,649
Other financial corporations	15,378	23,024
Non-financial corporations	48,485	48,551
Households	147,702	148,534

The carrying amount of the TLTRO III liabilities as of 30 September 2023 was EUR 6.8 billion (EUR 15.6 billion).

Debt securities issued

in EUR million	Dec 22	Sep 23
Subordinated debt securities issued	2,945	2,448
Senior non-preferred bonds	1,667	1,951
Other debt securities issued	21,981	26,908
Bonds	7,308	11,956
Certificates of deposit	4,008	2,177
Other certificates of deposits/name certificates	121	117
Mortgage covered bonds	10,544	12,658
Debt securities issued	26,593	31,307

17. Financial assets at fair value through other comprehensive income

Equity Instruments

The carrying amount of Erste Group's equity instruments FVOCI as of 30 September 2023 amounted to EUR 98.4 million (EUR 99.2 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 54.0 million (EUR 55.6 million).

Debt Instruments

Debt securities

in EUR million	Gross carrying amount				Credit loss allowances				Amortised cost	Accumulated OCI changes	Fair value
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Sep 23											
Central banks	0	0	0	0	0	0	0	0	0	0	0
General governments	7,411	233	0	7,644	-4	-6	0	-10	7,633	-194	7,440
Credit institutions	1,647	13	0	1,660	-2	0	0	-2	1,658	-61	1,598
Other financial corporations	167	67	1	234	0	-1	-1	-2	233	-6	226
Non-financial corporations	496	433	2	932	0	-10	0	-11	921	-56	865
Total	9,721	746	3	10,470	-7	-17	-1	-25	10,445	-316	10,129
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 30 September 2023.

18. Finance lease receivables

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Sep 23											
General governments	249	13	0	0	262	0	-1	0	0	-2	260
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	152	13	0	0	165	0	0	0	0	0	164
Non-financial corporations	2,856	731	83	0	3,670	-13	-27	-35	0	-76	3,594
Households	786	61	14	0	861	-5	-2	-5	0	-12	850
Total	4,044	817	97	1	4,959	-18	-30	-41	0	-90	4,869
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			Sep 23		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	244,708	6,490	6,607	265,683	5,725	5,447
Interest rate	178,235	5,788	5,508	197,141	4,953	4,809
Equity	669	10	10	659	14	17
Foreign exchange	64,992	686	1,084	67,500	756	613
Credit	551	5	5	165	0	5
Commodity	9	0	0	8	0	0
Other	253	1	1	209	0	3
Derivatives held in the banking book	25,626	554	1,003	24,207	421	855
Interest rate	19,178	374	850	17,659	316	711
Equity	1,334	57	80	1,277	57	52
Foreign exchange	4,769	122	68	4,957	47	87
Credit	155	1	1	124	1	1
Other	190	0	4	190	0	3
Total gross amounts	270,334	7,045	7,610	289,890	6,145	6,301
Offset		-5,326	-4,983		-4,789	-4,383
Total		1,719	2,626		1,357	1,918

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	Sep 23
Equity instruments	70	130
Debt securities	5,977	5,485
Central banks	3,045	2,040
General governments	1,575	1,549
Credit institutions	1,133	1,545
Other financial corporations	160	288
Non-financial corporations	64	63
Other financial assets held for trading	6,047	5,615

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

in EUR million	Dec 22		Sep 23	
	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	347	0	384
Debt securities	327	1,223	210	1,345
General governments	35	170	0	303
Credit institutions	286	119	177	118
Other financial corporations	5	864	33	854
Non-financial corporations	0	70	0	70
Loans and advances to banks	0	0	0	0
Credit institutions	0	0	0	0
Loans and advances to customers	1	839	2	948
General governments	0	1	0	1
Other financial corporations	0	26	0	0
Non-financial corporations	1	33	2	26
Households	0	779	0	921
Financial assets designated and mandatorily at FVPL	328	2,408	212	2,677
Non-trading financial assets at fair value through profit and loss	2,735		2,889	

22. Hedge accounting derivatives

in EUR million	Dec 22			Sep 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	23,370	471	2,018
Interest rate	19,662	403	2,073	23,370	471	2,018
Cash flow hedges	5,113	94	175	4,976	125	130
Interest rate	3,670	7	175	3,593	27	123
Foreign exchange	1,443	87	0	1,384	99	7
Total gross amounts	24,776	497	2,248	28,346	596	2,148
Offset		-338	-1,876		-392	-1,849
Total		159	372		204	300

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	Sep 23
Prepayments	135	154
Inventories	94	97
Sundry assets	1,003	744
Other assets	1,232	994

24. Other financial liabilities held for trading

in EUR million	Dec 22	Sep 23
Short positions	585	460
Equity instruments	129	75
Debt securities	456	385
Debt securities issued	52	50
Other financial liabilities held for trading	637	510

25. Financial liabilities at fair value through profit and loss

Debt securities issued

in EUR million	Dec 22	Sep 23
Subordinated debt securities issued	1,991	2,035
Other debt securities issued	7,319	7,746
Bonds	5,416	5,795
Other certificates of deposits/name certificates	815	973
Mortgage covered bonds	962	855
Public sector covered bonds	126	123
Debt securities issued	9,310	9,781

26. Provisions

in EUR million	Dec 22	Sep 23
Defined employee benefit plans	802	769
Loan commitments and financial guarantees given in scope of IFRS 9	469	443
Pending legal issues and tax litigation	288	261
Commitments and guarantees given out of scope of IFRS 9	65	35
Other provisions	53	128
Provisions	1,676	1,636

Effects from the change in material valuation parameters

For the calculation of the defined benefit obligation for pension and severance payment provisions as well as for jubilee provisions, the interest rate used has been increased to 4.12 % p.a. as of 30 June 2023 (31 December 2022: 3.75% p.a.) to reflect the actual interest rate levels. Furthermore, the collective agreement trend increased to 5.70% p.a. (31 December 2022: 3.10% p.a.). All other calculation

parameters remained unchanged. According to IAS 19 the resulting measurement adjustment has been recognised as a gain in other comprehensive amounting to EUR 34.0 million for pension and severance payment provisions, for jubilee provisions a gain of EUR 0.4 million has been considered in the income statement.

27. Other liabilities

in EUR million	Dec 22	Sep 23
Deferred income	116	124
Sundry liabilities	2,465	2,672
Other liabilities	2,581	2,796

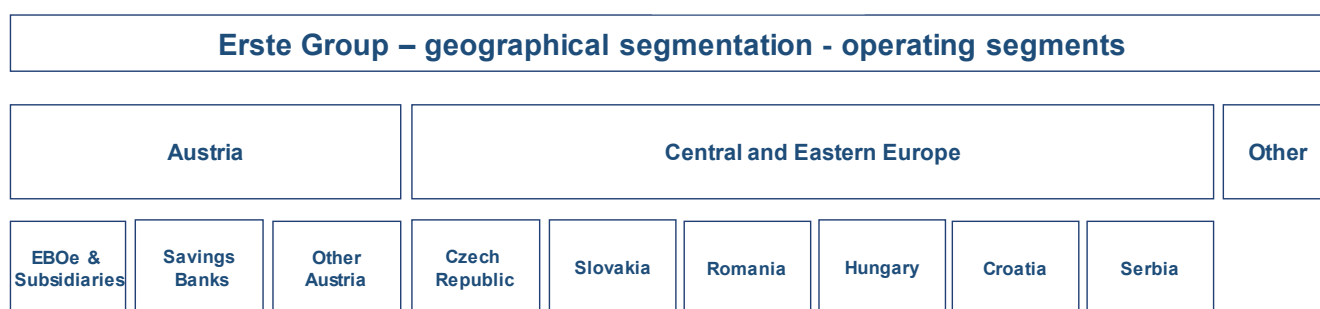
28. Segment reporting

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 sporiteľňa Group)

- _ **Romania** (comprising Banca Comercială Română Group)
- _ **Hungary** (comprising Erste Bank Hungary Group)
- _ **Croatia** (comprising Erste Bank Croatia Group)
- _ **Serbia** (comprising Erste Bank Serbia Group).

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

Business segmentation

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



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

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

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

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

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

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

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

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

Measurement

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

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

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

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

Operating segments: Geographical segmentation – overview

in EUR million	Austria		Central and Eastern Europe		Other		Total Group	
	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23
	1,817.8	2,797.0	2,335.8	2,464.4	231.7	161.0	4,385.2	5,422.3
1,047.4	1,098.3	843.1	919.8	-60.6	-80.5	1,829.9	1,937.6	
12.2	17.0	3.9	3.4	6.7	8.8	22.9	29.1	
-125.5	49.7	236.7	286.0	-959.7	1.7	-848.5	337.4	
46.8	21.1	-75.2	27.3	771.7	-66.0	743.3	-17.7	
2.1	0.9	6.4	10.8	5.7	5.9	14.3	17.6	
102.5	108.2	32.9	28.3	-11.7	-10.0	123.6	126.4	
-1,618.7	-1,760.5	-1,569.1	-1,717.2	-193.6	-196.9	-3,381.3	-3,674.6	
-0.6	-0.3	-46.0	-1.9	-0.7	-0.8	-47.3	-3.0	
0.3	-2.8	-24.2	-5.0	0.7	7.1	-23.2	-0.6	
-82.2	-55.4	-69.2	-71.5	-6.8	-0.6	-158.3	-127.5	
-41.3	-50.8	-148.4	-177.3	-56.7	-98.8	-246.5	-326.9	
-8.3	-10.5	-108.4	-118.9	-16.5	-18.4	-133.2	-147.8	
1,160.8	2,222.2	1,526.6	1,767.0	-273.3	-269.2	2,414.1	3,720.0	
-286.5	-498.5	-296.4	-288.3	148.4	117.2	-434.5	-669.6	
874.3	1,723.7	1,230.2	1,478.7	-124.9	-152.0	1,979.6	3,050.4	
274.4	666.7	57.4	68.1	0.7	6.1	332.6	740.9	
599.9	1,057.0	1,172.8	1,410.6	-125.6	-158.1	1,647.0	2,309.6	
2,903.3	4,092.0	3,383.5	3,739.9	-16.1	20.8	6,270.7	7,852.8	
-1,618.7	-1,760.5	-1,569.1	-1,717.2	-193.6	-196.9	-3,381.3	-3,674.6	
1,284.7	2,331.5	1,814.5	2,022.6	-209.7	-176.1	2,889.4	4,178.1	
63,614	65,610	50,964	57,040	2,983	2,450	117,561	125,099	
9,707	9,220	9,718	10,778	4,602	6,614	24,027	26,612	
55.8%	43.0%	46.4%	45.9%	>100%	>100%	53.9%	46.8%	
12.0%	25.0%	16.9%	18.3%	-3.6%	-3.1%	11.0%	15.3%	
219,068	208,656	147,981	155,447	-31,753	-26,942	335,297	337,161	
175,669	161,703	135,596	141,627	-553	6,145	310,713	309,474	
-82.3	-55.6	-85.4	-71.6	-6.8	-0.6	-174.6	-127.9	
-69.0	-105.3	-48.4	-71.5	-6.9	17.9	-124.4	-159.0	
-13.2	49.9	-20.8	0.1	0.1	-18.5	-33.9	31.4	
0.0	0.0	0.0	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	
-0.1	-0.3	-16.2	-0.1	0.0	0.0	-16.3	-0.4	

Operating segments: Geographical area – Central and Eastern Europe

	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23
Net interest income	1,066.4	977.8	331.8	363.4	378.9	464.8	292.7	260.9	206.6	296.2	59.3	81.4	2,335.8	2,464.4
Net fee and commission income	289.0	325.4	142.7	153.9	140.5	146.6	165.8	185.3	88.1	91.3	17.1	17.4	843.1	919.8
Dividend income	2.7	1.7	0.6	0.6	0.5	1.0	0.1	0.0	0.0	0.0	0.0	0.0	3.9	3.4
Net trading result	115.4	144.8	18.8	15.9	90.2	81.1	-23.8	26.7	32.0	12.1	4.2	5.4	236.7	286.0
Gains/losses from financial instruments at FVPL	-3.8	-55.2	0.9	2.0	1.6	0.2	-73.6	80.2	-0.3	0.1	0.0	0.0	-75.2	27.3
Net result from equity method investments	2.6	5.7	2.3	3.2	0.4	0.8	0.0	0.0	0.9	1.1	0.2	0.1	6.4	10.8
Rental income from investment properties & other operating leases	6.4	7.0	0.3	0.3	14.6	6.8	5.6	7.8	6.0	5.4	0.1	0.9	32.9	28.3
General administrative expenses	-642.7	-713.6	-226.5	-243.5	-275.2	-306.6	-200.1	-196.5	-174.1	-192.4	-50.5	-64.7	-1,569.1	-1,717.2
Gains/losses from derecognition of financial assets at AC	-45.4	-1.5	0.0	0.0	0.0	0.0	-0.4	-0.1	0.0	0.0	-0.2	-0.4	-46.0	-1.9
Other gains/losses from derecognition of financial instruments not at FVPL	-25.5	0.0	-0.2	-0.1	0.0	0.0	1.4	-0.1	0.1	-4.8	0.0	0.0	-24.2	-5.0
Impairment result from financial instruments	-4.6	-19.5	-45.5	-28.4	-59.1	-38.2	1.7	-10.8	53.7	35.6	-15.5	-10.1	-69.2	-71.5
Other operating result	-53.2	-27.6	-7.8	-6.3	32.9	-24.1	-114.9	-117.3	-2.9	-1.8	-2.5	-0.2	-148.4	-177.3
Levies on banking activities	0.0	0.0	0.0	0.0	0.0	0.0	-108.4	-118.9	0.0	0.0	0.0	0.0	-108.4	-118.9
Pre-tax result from continuing operations	707.3	644.9	217.3	281.1	325.3	332.4	54.6	236.1	210.0	242.8	12.1	29.8	1,526.6	1,767.0
Taxes on income	-140.3	-102.4	-49.9	-62.5	-52.8	-52.4	-14.7	-25.0	-38.2	-43.2	-0.7	-2.7	-298.4	-288.3
Net result for the period	567.1	542.5	167.4	218.5	272.5	280.0	39.9	211.0	171.9	199.6	11.5	27.1	1,230.2	1,478.7
Net result attributable to non-controlling interests	0.1	0.2	0.0	-0.2	0.3	0.3	0.0	0.0	54.8	62.5	2.3	5.2	57.4	68.1
Net result attributable to owners of the parent	567.0	542.3	167.4	218.7	272.2	279.7	39.9	211.0	117.1	137.0	9.2	21.9	1,172.8	1,410.6
Operating income	1,478.7	1,407.1	497.4	559.3	626.6	701.3	366.8	560.9	333.2	406.2	80.8	105.2	3,383.5	3,739.9
Operating expenses	-642.7	-713.6	-226.5	-243.5	-275.2	-306.6	-200.1	-196.5	-174.1	-192.4	-50.5	-64.7	-1,569.1	-1,717.2
Operating result	836.0	693.5	270.9	315.8	351.5	394.7	166.7	364.4	159.1	213.8	30.3	40.4	1,814.5	2,022.6
Risk-weighted assets (credit risk, eop)	21,586	24,684	8,933	10,111	8,485	9,127	4,247	4,971	5,889	6,182	1,824	1,965	50,964	57,040
Average allocated capital	3,774	4,417	1,476	1,517	1,771	1,836	1,202	1,544	1,203	1,157	291	307	9,718	10,778
Cost/income ratio	43.5%	50.7%	45.5%	43.5%	43.9%	43.7%	54.6%	35.0%	52.2%	47.4%	62.5%	61.5%	46.4%	45.9%
Return on allocated capital	20.1%	16.4%	15.2%	19.3%	20.6%	20.4%	4.4%	18.3%	19.1%	23.1%	5.3%	11.8%	16.9%	18.3%
Total assets (eop)	74,766	77,167	24,804	25,722	19,106	21,052	12,007	12,793	14,291	15,483	3,007	3,231	147,981	155,447
Total liabilities excluding equity (eop)	69,401	71,467	22,695	23,332	16,943	18,691	11,041	11,431	12,840	13,883	2,676	2,822	135,596	141,627
Impairments	-19.9	-20.3	-45.3	-26.4	-61.4	-39.7	2.0	-11.0	54.6	35.9	-15.5	-10.1	-85.4	-71.6
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-8.4	-23.1	-43.0	-35.5	-56.8	-37.7	1.9	-12.7	72.2	48.8	-14.4	-11.2	-48.4	-71.5
Net impairment loss on commitments and guarantees given	3.8	3.6	-2.6	7.2	-2.4	-0.5	-0.1	1.8	-18.5	-13.2	-1.0	1.2	-20.8	0.1
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	-15.4	-0.8	0.2	2.0	-2.3	-1.5	0.3	-0.2	0.9	0.3	0.0	0.0	-16.2	-0.1

Business segments (1)

	Retail						Corporates						Group Markets						ALM&LCC		
	1-9 22		1-9 23		1-9 22		1-9 23		1-9 22		1-9 23		1-9 22		1-9 23		1-9 22		1-9 23		
	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	
in EUR million																					
Net interest income	1,891.8	2,449.3	1,104.0	1,458.1	1,104.0	1,458.1	270.7	300.2	354.4	293.4	354.4	293.4	219.5	234.2	219.5	234.2	2.1	3.5	10.8	10.2	-72.3
Net fee and commission income	951.6	1,011.7	0.0	0.0	0.0	0.0	0.0	1.6	2.1	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend income	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net trading result	114.2	129.1	119.7	94.7	119.7	94.7	0.8	3.2	-34.4	7.2	-34.4	7.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.4
Gains/losses from financial instruments at FVPL	-77.9	78.8	0.8	0.0	0.8	0.0	2.7	5.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-124.9
Net result from equity method investments	3.1	5.8	2.7	6.1	2.7	6.1	82.5	80.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0	19.4	21.3	0.5
Rental income from investment properties & other operating leases	4.1	6.1	6.1	6.1	6.1	6.1	82.5	80.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0	19.4	21.3	0.5
General administrative expenses	-1,648.1	-1,776.3	-431.9	-486.4	-431.9	-486.4	0.0	0.0	-181.4	-194.8	-181.4	-194.8	0.0	0.0	0.0	0.0	0.0	0.0	-101.3	-120.0	-120.0
Gains/losses from derecognition of financial assets at AC	-1.6	-0.6	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	0.0	0.0	-45.6	-1.2	-1.2
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	0.0	1.9	-0.4	1.9	-0.4	0.0	0.0	-0.2	1.1	-0.2	1.1	0.0	0.0	0.0	0.0	0.0	0.0	-25.3	2.5	2.5
Impairment result from financial instruments	-113.3	-109.2	22.5	71.4	22.5	71.4	-52.9	-27.2	-2.5	-1.6	-2.5	-1.6	-2.5	-1.6	-2.5	-1.6	-2.5	-1.6	-9.0	6.1	6.1
Other operating result	-37.8	-81.9	-81.9	-50.3	-81.9	-50.3	-30.4	-40.5	-7.7	-11.8	-7.7	-11.8	-7.7	-11.8	-7.7	-11.8	-7.7	-11.8	-7.9	-11.7	-73.8
Levies on banking activities	-66.6	-61.6	-30.4	-40.5	-30.4	-40.5	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	0.0
Pre-tax result from continuing operations	1,086.0	1,712.9	1,119.8	1,478.2	1,119.8	1,478.2	-219.6	-282.3	400.8	422.9	400.8	422.9	-81.9	-82.9	-81.9	-82.9	3.6	3.3	52.7	129.4	-743.5
Taxes on income	-211.4	-307.3	-219.6	-282.3	-219.6	-282.3	0.0	0.0	-81.9	-82.9	-81.9	-82.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net result for the period	874.6	1,405.6	900.3	1,195.9	900.3	1,195.9	52.5	58.2	318.9	340.0	318.9	340.0	3.6	3.3	3.6	3.3	0.0	0.0	5.8	10.2	-614.1
Net result attributable to non-controlling interests	27.5	28.3	28.3	28.3	28.3	28.3	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	0.0
Net result attributable to owners of the parent	847.1	1,377.2	847.8	1,137.7	847.8	1,137.7	0.0	0.0	315.3	336.6	315.3	336.6	0.0	0.0	0.0	0.0	0.0	0.0	-361.9	-624.4	-624.4
Operating income	2,886.8	3,680.8	1,580.3	1,943.8	1,580.3	1,943.8	0.0	0.0	612.1	645.2	612.1	645.2	0.0	0.0	0.0	0.0	0.0	0.0	-150.1	-557.1	-557.1
Operating expenses	-1,648.1	-1,776.3	-431.9	-486.4	-431.9	-486.4	0.0	0.0	-181.4	-194.8	-181.4	-194.8	0.0	0.0	0.0	0.0	0.0	0.0	-101.3	-120.0	-120.0
Operating result	1,238.6	1,904.5	1,148.4	1,457.4	1,148.4	1,457.4	0.0	0.0	430.7	450.4	430.7	450.4	0.0	0.0	0.0	0.0	0.0	0.0	-251.4	-677.1	-677.1
Risk-weighted assets (credit risk, eop)	22,405	24,533	53,254	57,377	53,254	57,377	0.0	0.0	3,854	4,357	3,854	4,357	0.0	0.0	0.0	0.0	0.0	0.0	7,053	9,203	9,203
Average allocated capital	3,774	3,731	5,721	6,219	5,721	6,219	0.0	0.0	1,124	990	1,124	990	0.0	0.0	0.0	0.0	0.0	0.0	5,733	6,719	6,719
Cost/income ratio	57.1%	48.3%	27.3%	25.0%	27.3%	25.0%	0.0	0.0	29.6%	30.2%	29.6%	30.2%	0.0	0.0	0.0	0.0	0.0	0.0	-67.5%	-21.5%	-21.5%
Return on allocated capital	31.0%	50.4%	21.0%	25.7%	21.0%	25.7%	0.0	0.0	37.9%	45.9%	37.9%	45.9%	0.0	0.0	0.0	0.0	0.0	0.0	-8.3%	-12.2%	-12.2%
Total assets (eop)	75,219	76,484	75,232	79,916	75,232	79,916	0.0	0.0	58,813	53,029	58,813	53,029	0.0	0.0	0.0	0.0	0.0	0.0	93,970	88,014	88,014
Total liabilities excluding equity (eop)	113,482	113,025	45,385	46,181	45,385	46,181	0.0	0.0	54,360	48,097	54,360	48,097	0.0	0.0	0.0	0.0	0.0	0.0	70,972	69,684	69,684
Impairments	-113.4	-109.4	5.9	70.9	5.9	70.9	0.0	0.0	-2.5	-1.6	-2.5	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	-8.6	7.0	7.0
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-107.1	-117.6	43.6	53.6	43.6	53.6	0.0	0.0	-1.9	-6.9	-1.9	-6.9	0.0	0.0	0.0	0.0	0.0	0.0	-10.1	2.2	2.2
Net impairment loss on commitments and guarantees given	-6.2	8.5	-21.2	17.8	-21.2	17.8	0.0	0.0	-0.7	5.3	-0.7	5.3	0.0	0.0	0.0	0.0	0.0	0.0	1.1	4.0	4.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-0.1	-0.3	-16.5	-0.5	-16.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.8	0.8

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23	1-9 22	1-9 23
Net interest income	847.4	1,404.8	89.0	169.3	129.4	89.7	4,385.2	5,422.3
Net fee and commission income	465.5	487.0	6.5	-9.9	-21.4	-22.3	1,829.9	1,937.6
Dividend income	3.2	5.2	6.7	8.8	0.0	0.0	22.9	29.1
Net trading result	-75.4	13.1	-20.3	19.1	-110.4	-75.6	-848.5	337.4
Gains/losses from financial instruments at FVPL	13.7	17.3	-15.5	0.7	0.0	0.0	743.3	-17.7
Net result from equity method investments	0.0	0.0	5.7	5.9	0.0	0.0	14.3	17.6
Rental income from investment properties & other operating leases	31.6	30.3	-13.9	-11.1	-0.3	-1.0	123.6	126.4
General administrative expenses	-839.3	-913.5	-708.8	-796.9	529.5	613.2	-3,381.3	-3,674.6
Gains/losses from derecognition of financial assets at AC	0.2	-0.4	-0.1	-0.7	-0.1	-0.1	-47.3	-3.0
Other gains/losses from derecognition of financial instruments not at FVPL	0.0	-3.5	0.3	-0.3	0.1	0.1	-23.2	-0.6
Impairment result from financial instruments	-54.0	-93.7	-2.0	-0.7	0.0	0.0	-158.3	-127.5
Other operating result	-18.8	-15.9	494.5	525.8	-526.8	-603.9	-246.5	-326.9
Levies on banking activities	-4.2	-3.8	-16.5	-18.4	0.0	0.0	-133.2	-147.8
Pre-tax result from continuing operations	374.2	930.8	-157.7	-81.2	0.0	0.0	2,414.1	3,720.0
Taxes on income	-95.0	-199.2	120.6	72.7	0.0	0.0	-434.5	-669.6
Net result for the period	279.2	731.6	-37.2	-8.5	0.0	0.0	1,979.6	3,050.4
Net result attributable to non-controlling interests	242.5	634.7	0.7	6.1	0.0	0.0	332.6	740.9
Net result attributable to owners of the parent	36.7	96.9	-37.9	-14.6	0.0	0.0	1,647.0	2,309.6
Operating income	1,286.1	1,957.7	58.3	191.7	-2.7	-9.2	6,270.7	7,852.8
Operating expenses	-839.3	-913.5	-708.8	-796.9	529.5	613.2	-3,381.3	-3,674.6
Operating result	446.8	1,044.3	-650.4	-605.2	526.8	603.9	2,889.4	4,178.1
Risk-weighted assets (credit risk, eop)	28,576	28,302	2,420	1,327	0	0	117,561	125,099
Average allocated capital	4,668	4,437	3,008	4,518	0	0	24,027	26,612
Cost/income ratio	65.3%	46.7%	>100%	>100%	>100%	>100%	53.9%	46.8%
Return on allocated capital	8.0%	22.0%	-1.7%	-0.3%			11.0%	15.3%
Total assets (eop)	81,216	80,797	3,424	3,915	-52,577	-44,993	335,297	337,161
Total liabilities excluding equity (eop)	75,335	74,003	3,811	3,554	-52,633	-45,070	310,713	309,474
Impairments	-54.0	-94.1	-2.0	-0.7	0.0	0.0	-174.6	-127.9
Net impairment loss on financial assets AC/FVOCI and finance lease receivables	-46.9	-107.8	-2.0	17.6	0.0	0.0	-124.4	-159.0
Net impairment loss on commitments and guarantees given	-7.1	14.1	0.0	-18.3	0.0	0.0	-33.9	31.4
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	0.1	0.0	0.0	0.0	0.0	0.0	0.1
Net impairment on other non-financial assets	0.0	-0.5	0.0	0.0	0.0	0.0	-16.3	-0.4

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 21.6 billion (+6.2%).

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

in EUR million	Credit risk exposure	Allowances	Adjustments	Carrying amount
Sep 23				
Cash and cash balances - demand deposits to credit institutions	1,467	-1	0	1,466
Instruments HfT	6,842	0	0	6,842
Non-trading debt instruments at FVPL	2,504	0	0	2,504
Debt securities	1,555	0	0	1,555
Loans and advances to banks	0	0	0	0
Loans and advances to customers	949	0	0	949
Debt instruments at FVOCI	10,470	-25	-316	10,129
Debt securities	10,470	-25	-316	10,129
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	274,273	-3,988	0	270,286
Debt securities	44,390	-24	0	44,367
Loans and advances to banks	28,106	-12	0	28,094
Loans and advances to customers	201,776	-3,952	0	197,825
Trade and other receivables	2,573	-63	0	2,510
Finance lease receivables	4,959	-90	0	4,869
Debt instruments held for sale in disposal groups	162	-3	0	159
Positive fair value of hedge accounting derivatives	204	0	0	204
Off balance-sheet exposures	67,274	-478	0	0
Total	370,728	-4,648	-316	298,968
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
Sep 23					
Natural resources & commodities	11,150	2,232	601	302	14,284
Energy	14,359	1,615	392	40	16,407
Construction and building materials	13,619	2,919	634	313	17,485
Automotive	6,472	1,119	302	191	8,084
Cyclical consumer products	6,779	1,756	565	288	9,388
Non-cyclical consumer products	8,593	1,570	310	164	10,637
Machinery	5,510	948	291	142	6,891
Transportation	6,373	1,250	241	116	7,980
TMT	6,566	875	155	153	7,749
Healthcare & services	9,266	1,948	313	198	11,725
Hotels & leisure industry	7,014	1,760	387	407	9,568
Real estate	36,946	6,082	1,005	551	44,585
Public sector	79,069	605	78	80	79,833
Financial institutions	26,062	925	708	27	27,722
Private households	83,518	9,773	3,158	1,547	97,996
Other	230	25	141	1	396
Total	321,525	35,402	9,282	4,519	370,728
Dec 22					
Natural resources & commodities	9,808	3,103	691	279	13,881
Energy	12,869	1,802	191	49	14,912
Construction and building materials	11,481	3,681	637	311	16,111
Automotive	5,836	1,316	228	335	7,715
Cyclical consumer products	6,189	2,465	353	307	9,314
Non-cyclical consumer products	7,618	1,780	388	161	9,947
Machinery	4,688	1,019	324	157	6,188
Transportation	4,656	2,352	273	113	7,394
TMT	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
Sep 23					
Core markets	271,657	32,642	8,029	4,036	316,364
Austria	122,213	12,084	3,230	2,047	139,573
Czech Republic	75,137	7,620	1,699	768	85,223
Romania	20,987	3,168	650	339	25,144
Slovakia	24,402	4,309	1,407	343	30,461
Hungary	14,166	2,421	603	188	17,378
Croatia	11,160	2,390	346	290	14,186
Serbia	3,594	649	93	61	4,398
Other EU	30,326	1,265	601	287	32,479
Other industrialised countries	14,570	268	95	14	14,947
Emerging markets	4,972	1,227	557	183	6,938
Southeastern Europe/CIS	2,735	1,114	203	103	4,155
Asia	1,684	72	9	10	1,775
Latin America	211	4	2	0	218
Middle East/Africa	341	37	343	69	790
Total	321,525	35,402	9,282	4,519	370,728
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
Sep 23					
Austria	170,339	14,393	4,259	2,503	191,493
EBOe & Subsidiaries	47,027	3,513	1,196	643	52,378
Savings Banks	67,415	9,814	2,188	1,502	80,918
Other Austria	55,896	1,066	876	358	58,196
Central and Eastern Europe	140,515	20,962	4,982	2,017	168,475
Czech Republic	74,668	7,890	1,783	811	85,152
Romania	19,253	3,209	664	348	23,474
Slovakia	22,004	4,161	1,490	341	27,996
Hungary	9,894	2,370	577	179	13,020
Croatia	11,730	2,702	385	277	15,094
Serbia	2,965	629	84	60	3,739
Other	10,672	47	41	0	10,760
Total	321,525	35,402	9,282	4,519	370,728
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
Sep 23					
Retail	65,717	11,421	3,506	1,497	82,141
Corporates	102,313	13,537	2,849	1,509	120,209
Group Markets	24,201	396	575	0	25,173
ALM & LCC	61,797	227	123	10	62,158
Savings Banks	67,415	9,814	2,188	1,502	80,918
GCC	81	7	41	0	129
Total	321,525	35,402	9,282	4,519	370,728
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
Sep 23						
Austria	143,555	33,686	2,449	59	11,745	191,493
EBOe & Subsidiaries	43,722	7,399	634	11	612	52,378
Savings Banks	61,205	16,095	1,457	48	2,113	80,918
Other Austria	38,627	10,191	358	0	9,020	58,196
Central and Eastern Europe	133,991	20,707	1,813	316	11,648	168,475
Czech Republic	70,350	9,083	717	66	4,935	85,152
Romania	18,297	4,423	325	50	379	23,474
Slovakia	21,561	3,009	320	119	2,987	27,996
Hungary	9,606	1,280	151	37	1,945	13,020
Croatia	11,807	2,496	257	25	510	15,094
Serbia	2,371	415	43	18	893	3,739
Other	10,621	86	0	0	53	10,760
Total	288,167	54,479	4,262	374	23,445	370,728
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
Sep 23						
Retail	69,066	10,438	1,447	98	1,091	82,141
Corporates	79,397	27,167	1,348	229	12,069	120,209
Group Markets	16,896	368	0	0	7,910	25,173
ALM & LCC	61,545	393	10	0	210	62,158
Savings Banks	61,205	16,095	1,457	48	2,113	80,918
GCC	59	18	0	0	53	129
Total	288,167	54,479	4,262	374	23,445	370,728
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 185 million (EUR 184 million), the non-defaulted part to EUR 189 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

Threshold interval (x times)	Dec 22		Sep 23	
	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. In the third quarter of 2023, we started reviewing local corporate models' thresholds due to the currently ongoing re-segmentation. Other countries will follow in the fourth quarter.

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 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.

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						Sep 23
Stage 1	-13	-5	2	2	-2	0	-15
Stage 2	-5	0	0	-2	3	0	-4
Stage 3	-3	0	0	0	-1	0	-4
Total	-22	-5	2	0	0	0	-24
	Jan 22						Sep 22
Stage 1	-12	-5	3	1	-2	0	-14
Stage 2	-3	0	0	-7	2	0	-8
Stage 3	0	0	0	0	0	0	0
Total	-15	-5	3	-6	0	0	-22

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						Sep 23
Stage 1	-6	-15	10	0	2	0	-8
Stage 2	0	0	1	-2	-3	0	-5
Stage 3	0	0	14	0	-14	0	0
Total	-6	-16	25	-2	-14	0	-12
	Jan 22						Sep 22
Stage 1	-6	-17	12	0	3	-1	-8
Stage 2	-1	0	1	0	0	0	-1
Stage 3	0	0	0	0	0	0	0
Total	-6	-17	13	0	3	-1	-8

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)	Write-offs	Other	As of
	Jan 23							Sep 23
Stage 1	-335	-195	48	327	-193	0	-3	-352
General governments	-4	-2	1	2	-2	0	0	-5
Other financial corporations	-8	-4	2	6	-8	0	1	-10
Non-financial corporations	-162	-115	27	111	-41	0	-2	-182
Households	-161	-75	18	207	-141	0	-2	-154
Stage 2	-1,415	-134	152	-569	437	0	9	-1,519
General governments	-28	0	0	-2	14	0	-1	-17
Other financial corporations	-20	-6	1	-9	17	0	0	-17
Non-financial corporations	-773	-102	104	-244	135	0	7	-872
Households	-594	-26	47	-314	271	0	3	-613
Stage 3	-1,994	-32	196	-74	-237	135	21	-1,985
General governments	-1	0	0	0	-6	1	0	-6
Other financial corporations	-37	0	1	0	-4	3	0	-38
Non-financial corporations	-1,043	-23	104	-23	-57	49	15	-977
Households	-913	-9	91	-51	-169	82	5	-964
POCI	-86	0	14	0	-21	4	-7	-96
General governments	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	-65	0	12	0	-17	3	-8	-75
Households	-22	0	2	0	-3	2	1	-20
Total	-3,830	-362	410	-316	-13	140	20	-3,952
	Jan 22							Sep 22
Stage 1	-383	-247	61	446	-204	0	11	-317
General governments	-4	-1	0	3	-1	0	0	-4
Other financial corporations	-10	-10	3	10	0	0	0	-6
Non-financial corporations	-211	-150	39	217	-59	0	11	-153
Households	-158	-86	19	216	-145	0	1	-154
Stage 2	-1,203	-126	139	-762	569	1	-3	-1,385
General governments	-20	-6	1	-7	4	0	0	-28
Other financial corporations	-14	-2	3	-16	12	0	-1	-18
Non-financial corporations	-666	-96	85	-392	330	0	-6	-744
Households	-504	-23	50	-347	223	1	4	-596
Stage 3	-2,066	-32	179	-105	-196	295	-3	-1,929
General governments	-2	0	0	0	0	1	0	-1
Other financial corporations	-16	0	1	0	-2	3	-5	-20
Non-financial corporations	-1,069	-18	103	-63	-113	195	-2	-967
Households	-979	-14	75	-43	-80	96	4	-941
POCI	-88	0	7	0	-11	3	1	-88
General governments	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0
Non-financial corporations	-61	0	4	0	-12	2	0	-66
Households	-26	0	2	0	0	1	1	-22
Total	-3,740	-405	385	-421	158	298	6	-3,719

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)	Write-offs	Other	As of
	Jan 23							Sep 23
Stage 1	-9	-7	4	1	1	0	0	-11
Stage 2	-11	0	3	-1	0	0	0	-10
Stage 3	-44	0	4	-2	-4	4	0	-42
POCI	-1	0	0	0	0	0	0	-1
Total	-65	-8	10	-2	-4	4	1	-63
	Jan 22							Sep 22
Stage 1	-12	-9	7	1	4	0	0	-9
Stage 2	-9	0	1	-1	-2	1	0	-11
Stage 3	-66	0	9	-1	-3	5	1	-56
POCI	0	0	0	0	0	0	0	-1
Total	-87	-10	17	-1	-2	6	1	-76

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						Sep 23
Stage 1	-7	-2	2	0	0	0	-7
Stage 2	-16	-3	1	-1	1	0	-17
Stage 3	-1	0	0	-1	1	0	-1
Total	-24	-5	3	-1	3	0	-25
	Jan 22						Sep 22
Stage 1	-7	-3	1	2	-1	0	-7
Stage 2	-16	0	0	-4	6	0	-15
Stage 3	0	0	0	0	0	0	0
Total	-23	-3	1	-2	5	0	-22

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)	Write-offs	Other	As of
	Jan 23							Sep 23
Stage 1	-17	-5	0	6	-1	0	-1	-18
Stage 2	-28	0	1	-8	5	0	1	-30
Stage 3	-41	0	4	-3	-1	1	0	-41
POCI	0	0	0	0	0	0	0	0
Total	-86	-5	5	-6	2	1	0	-90
	Jan 22							Sep 22
Stage 1	-17	-7	1	5	2	0	0	-16
Stage 2	-27	0	1	-16	14	0	0	-28
Stage 3	-67	0	2	-3	23	5	0	-41
POCI	0	0	0	0	0	0	0	0
Total	-111	-7	4	-14	38	5	0	-85

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 third quarter of 2023 according to the disclosed forecasts and weights for baseline, downside, and upside scenarios. In BCR, a FLI update will be performed in the fourth quarter of 2023 together with additional modeling changes. Considering the more stable macroeconomic forecast than during the previous year, Erste Group decided to assign a 50% scenario weight to the baseline forecast. The added assumptions from comprehensive stress test scenario to downside scenario design are kept unchanged. These model adjustments took place to address the uncertainty of the macro-economic forecasts, higher downside risks and effects of those on ECL resulting from the unstable geopolitical situation (war in Ukraine).

The 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 first half of 2024 onwards. The main factor supporting the constructive baseline outlook for the Eurozone in 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 have already relieved inflationary pressures in recent months. The expected end of global destocking by year end 2023 should gradually improve the order situation and order backlogs of manufacturing companies. This should be another growth supportive factor as of the first quarter of 2024. Erste Group forecasts that in this environment we will see a gradual acceleration of consumption and investments in the first half of 2024. In this environment Erste Group expects the ECB to keep rates stable for the time being.

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. The fast rise of green energy investments adds volatility and instability to an already stretched and overloaded European power grid. Temporary pressure on the power grid from large swings in energy supply from green energy, could result in temporary price spikes for electricity which could harm industrial activity and the consumers purchasing power. The war in Ukraine remains significant risk factor. If it escalates further this could potentially harm the sentiment of global investors vs the Eurozone with potential dampening effects on growth. Russia could cut off gas supply to an increased number of “unfriendly” countries. Energy security becomes a priority for EU policymakers who regard the momentum to become less dependent from Russian commodities and to accelerate the transition to a low carbon economy. This goal triggers an energy policy shock, whereby the price of CO₂ emissions skyrocket in the first year, crystalizing a disorderly transition risk. The energy policy shock exacerbates the increase in energy/consumer prices and de anchors inflation expectations; prompting the ECB to tighten monetary policy aggressively (affecting the entire yield curve) to keep inflation under control. Higher Harmonized Index of Consumer Prices (HICP), especially electricity/gas bills, reduces disposable income and contracts consumption. Given the high debt inherited from the pandemic, increasing military spending and expansive fiscal policies to mitigate higher energy prices/influx of refugees make investors to question debt sustainability.

Macro-shift 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 30 September 2023.

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

	Scenario	Scenario weights			
		2023-2025	2023	2024	2025
Sep 23					
Austria	Upside	1%	-	3,4	4,0
	Baseline	50%	-	1,0	1,6
	Downside	49%	-	-4,6	-2,0
Czech Republic	Upside	1%	-	4,5	4,9
	Baseline	50%	-	2,5	2,9
	Downside	49%	-	-4,0	-0,6
Slovakia	Upside	1%	-	4,9	5,1
	Baseline	50%	-	2,5	2,7
	Downside	49%	-	-4,3	-2,3
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%	-	5,5	5,7
	Baseline	50%	-	3,2	3,4
	Downside	49%	-	-5,3	-0,2
Croatia	Upside	1%	-	4,5	5,0
	Baseline	50%	-	2,6	2,4
	Downside	49%	-	-2,9	-1,2
Serbia	Upside	1%	-	5,7	6,0
	Baseline	50%	-	3,5	3,8
	Downside	49%	-	-2,8	-0,4
Dec 22					
Austria	Upside	1%	2,9	3,5	3,9
	Baseline	40%	0,6	1,2	1,6
	Downside	59%	-4,6	-1,9	0,1
Czech Republic	Upside	1%	3,4	6,2	5,9
	Baseline	40%	0,9	3,7	3,4
	Downside	59%	-4,9	-0,3	0,9
Slovakia	Upside	1%	3,6	4,7	4,1
	Baseline	40%	1,5	2,6	2,0
	Downside	59%	-4,6	-2,2	1,1
Romania	Upside	1%	5,7	8,3	7,8
	Baseline	40%	2,7	5,3	4,8
	Downside	59%	-3,0	0,2	2,8
Hungary	Upside	1%	2,7	6,7	5,9
	Baseline	40%	0,2	4,2	3,4
	Downside	59%	-6,5	0,5	1,8
Croatia	Upside	1%	3,2	4,7	6,1
	Baseline	40%	1,0	2,5	2,5
	Downside	59%	-3,9	-1,0	0,4
Serbia	Upside	1%	4,7	5,7	5,8
	Baseline	40%	3,0	4,0	4,1
	Downside	59%	-2,7	0,1	2,4

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
Sep 23						
Austria						
GDP growth	-	1,0	1,6	-	-1,7	-0,1
Inflation	-	4,0	2,7	-	5,2	3,3
Yields_10Y	-	2,8	2,8	-	3,0	3,3
Czech Republic						
Unemployment Rate	-	3,6	4,0	-	3,9	4,4
Inflation (PPI)	-	142,0	145,1	-	144,4	147,5
Slovakia						
Unemployment Rate	-	6,3	6,1	-	7,3	7,4
Inflation	-	4,7	3,5	-	7,0	5,0
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 for comparative purposes.

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 September 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 subsequent effects on the economic environment

The geopolitical situation and tightening monetary policies have intensified the challenges in the business environment. In June 2022, Erste Group implemented rules for collective staging assessment due to the war in Ukraine (UA war overlays) as a combination of industries with correlation to economic downturn (cyclical industries) and one-year IFRS PD. Erste Group has identified that certain sectors are susceptible to macro-economic environment, such as inflation and interest rate increases, leading to decreasing confidence levels on consumer as well as production side; consequently causing a decrease in consumption and investments.

In addition to cyclical industries, from September 2022 the Erste Group has introduced additional Energy stage overlays due to the distortions in the energy market with implications on gas/energy availability and price. Two main effects were considered. Effects of energy prices and availability 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 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 371 billion (2022: EUR 349 billion) portfolio under collective staging assessment represents:

- _ EUR 95.1 billion of cyclical industries, out of which EUR 19.7 billion in Stage 2;
- _ EUR 23.9 billion of energy intensive industries, out of which EUR 18.7 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 1.7 billion to Stage 2 as of 30 September 2023. This resulted in EUR 20 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 7,107 million (2022: EUR 7,092 million) and at EUR 17,287 million for energy overlays (2022: EUR 17,345 million), with additional ECL allocated in the amount of EUR 179 million for cyclical industries (2022: EUR 184 million) and EUR 133 million for energy overlays (2022: EUR 150 million).

As described above, FLI were re-assessed last time in September 2023. During 2023, Stage 2 exposure due to FLI increased to EUR 6,676 million as of 30 September 2023 (2022: EUR 5,554 million). The allocated ECL due to FLI amounted to EUR 612 million (2022: EUR 572 million).

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 2,219 million (2022: EUR 3,771 million), resulting in an ECL drop by EUR 207 million (2022: EUR 296 million).

The downside scenario would lead to additional EUR 2,2072 million of exposure migration to Stage 2 in comparison with scenario weighted FLI (2022: EUR 3,121 million), resulting in ECL increase of EUR 193 million (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

in EUR million	Current status - parameters (FLI shifted)							Simulations difference to FLI shifts effect		
	Stage 2 impact by							Upside scenario	Baseline scenario	Downside scenario
	Stage 1	Stage 2	Total	Collective assessment due to UA war			FLI shifts			
				Cyclical	Energy	Private individuals				
Sep 23										
Austria	143.555	33.686	177.241	+4.428	+10.760	+0	+4.591	-2.346	-1.226	+1.288
EBOe & Subs.	43.722	7.399	51.122	+1.015	+1.393	+0	+1.133	-656	-339	+368
Savings Banks	61.205	16.095	77.301	+3.322	+2.460	+0	+2.087	-1.029	-611	+711
Other Austria	38.627	10.191	48.819	+91	+6.907	+0	+1.371	-661	-276	+208
CEE	133.991	20.707	154.698	+2.680	+6.528	+1.739	+2.085	-1.841	-993	+984
Czech Republic	70.350	9.083	79.433	+1.543	+2.503	+1.397	+661	-476	-224	+242
Slovakia	21.561	3.009	24.570	+228	+1.050	+0	+20	-98	-74	+82
Romania	18.297	4.423	22.720	+437	+1.530	+0	+1.103	-1.003	-581	+400
Hungary	9.606	1.280	10.886	+96	+575	+0	+135	-194	-85	+223
Croatia	11.807	2.496	14.303	+339	+723	+342	+16	-7	-3	+2
Serbia	2.371	415	2.786	+37	+148	+0	+152	-62	-26	+35
Other	10.621	86	10.707	+0	+0	+0	+0	+0	+0	+0
Total	288.167	54.479	342.646	+7.107	+17.287	+1.739	+6.677	-4.186	-2.219	+2.272
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 1	Stage 2	Total	Out of which:			FLI shifts	Upside scenario	Baseline scenario	Downside scenario
				Collective assessment due to UA war						
				Cyclical	Energy	Private individuals				
Sep 23										
Austria	-175	-816	-991	-89	-76	+0	-234	+116	+68	-71
EBOe & Subs.	-42	-182	-225	-18	-9	+0	-53	+27	+16	-17
Savings Banks	-93	-495	-588	-70	-27	+0	-131	+56	+33	-38
Other Austria	-40	-139	-178	-1	-40	+0	-50	+33	+19	-16
CEE	-316	-1.032	-1.348	-90	-57	-20	-378	+263	+139	-122
Czech Republic	-104	-349	-453	-48	-16	-15	-105	+41	+16	-15
Slovakia	-47	-133	-180	-8	-10	+0	-6	+14	+8	-5
Romania	-84	-361	-445	-22	-10	+0	-214	+176	+98	-78
Hungary	-34	-57	-91	-1	-4	+0	-30	+26	+13	-21
Croatia	-36	-111	-147	-12	-16	-5	-12	+2	+1	-1
Serbia	-12	-21	-32	-0	-2	+0	-11	+4	+2	-2
Other	-3	-2	-5	+0	+0	+0	+0	+0	+0	+0
Total	-494	-1.850	-2.344	-179	-133	-20	-612	+379	+207	-193
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
Sep 23					
Austria	102,553	12,047	3,278	2,362	120,240
EBOe & Subsidiaries	36,140	3,005	1,079	618	40,841
Savings Banks	46,866	8,262	1,909	1,421	58,458
Other Austria	19,547	780	291	323	20,941
Central and Eastern Europe	67,403	16,571	4,066	1,886	89,926
Czech Republic	32,624	6,523	1,445	742	41,335
Romania	9,117	2,072	478	321	11,988
Slovakia	14,049	3,456	1,281	329	19,115
Hungary	3,395	2,001	467	165	6,028
Croatia	6,580	2,102	337	269	9,288
Serbia	1,637	417	58	60	2,172
Other	66	19	7	0	92
Total	170,022	28,637	7,351	4,248	210,257
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
Sep 23					
Retail	58,702	10,603	3,274	1,477	74,056
Corporates	63,572	9,716	2,086	1,340	76,713
Group Markets	517	24	11	1	553
ALM & LCC	365	26	64	10	465
Savings Banks	46,866	8,262	1,909	1,421	58,458
GCC	0	5	7	0	12
Total	170,022	28,637	7,351	4,248	210,257
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

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
Sep 23												
Austria	2,362	2,362	120,240	120,213	-1,703	1,283	1,283	2.0%	2.0%	72.1%	54.3%	54.3%
EBOe & Subs	618	618	40,841	40,835	-393	364	364	1.5%	1.5%	63.5%	58.9%	58.9%
Savings Banks	1,421	1,421	58,458	58,456	-1,053	823	823	2.4%	2.4%	74.1%	57.9%	57.9%
Other Austria	323	323	20,941	20,922	-258	96	96	1.5%	1.5%	79.7%	29.6%	29.6%
CEE	1,886	1,882	89,926	89,004	-2,401	720	717	2.1%	2.1%	127.6%	38.2%	38.1%
Czech Republic	742	742	41,335	41,333	-862	252	252	1.8%	1.8%	116.2%	33.9%	33.9%
Romania	321	321	11,988	11,988	-603	111	111	2.7%	2.7%	187.7%	34.7%	34.7%
Slovakia	329	329	19,115	19,115	-381	162	162	1.7%	1.7%	115.9%	49.1%	49.1%
Hungary	165	161	6,028	5,108	-186	67	64	2.7%	3.2%	115.6%	41.0%	39.8%
Croatia	269	269	9,288	9,288	-299	115	115	2.9%	2.9%	111.3%	42.9%	42.9%
Serbia	60	60	2,172	2,172	-70	12	12	2.8%	2.8%	116.3%	20.5%	20.5%
Other	0	0	92	92	0	0	0	0.2%	0.2%	205.3%	0.0%	0.0%
Total	4,248	4,244	210,257	209,308	-4,104	2,003	1,999	2.0%	2.0%	96.7%	47.1%	47.1%
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
Sep 23												
Retail	1,477	1,474	74,056	73,133	-1,626	608	605	2.0%	2.0%	110.4%	41.2%	41.0%
Corporates	1,340	1,340	76,713	76,689	-1,408	571	571	1.7%	1.7%	105.1%	42.6%	42.6%
Group Markets	1	1	553	553	-2	0	0	0.1%	0.1%	377.3%	0.0%	0.0%
ALM & LCC	10	10	465	465	-15	1	1	2.1%	2.1%	150.1%	7.3%	7.3%
Savings Banks	1,421	1,421	58,458	58,456	-1,053	823	823	2.4%	2.4%	74.1%	57.9%	57.9%
GCC	0	0	12	12	0	0	0	1.1%	1.1%	157.1%	0.0%	0.0%
Total	4,248	4,244	210,257	209,308	-4,104	2,003	1,999	2.0%	2.0%	96.7%	47.1%	47.1%
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	
Sep 23												
Austria	92,455	25,374	2,325	58	-124	-648	-931	0	2.6%	40.1%	0.0%	
EBOe & Subs	34,096	6,118	610	11	-33	-152	-207	0	2.5%	34.0%	0.0%	
Savings Banks	43,482	13,535	1,391	47	-71	-413	-568	0	3.1%	40.8%	0.0%	
Other AT	14,878	5,721	323	0	-20	-83	-155	0	1.4%	48.1%	0.0%	
CEE	71,042	15,921	1,736	305	-257	-911	-1,137	-97	5.7%	65.5%	31.6%	
Czech Republic	33,200	7,380	687	66	-91	-321	-428	-22	4.4%	62.4%	33.0%	
Romania	8,721	2,920	299	48	-61	-307	-226	-9	10.5%	75.6%	17.8%	
Slovakia	16,192	2,494	317	112	-42	-125	-179	-34	5.0%	56.6%	30.6%	
Hungary	4,089	841	142	36	-26	-48	-101	-10	5.8%	71.6%	27.4%	
Croatia	7,119	1,895	249	25	-26	-89	-171	-13	4.7%	68.7%	52.0%	
Serbia	1,720	391	43	18	-10	-20	-30	-9	5.1%	71.2%	50.6%	
Other	89	3	0	0	0	0	0	0	0.0%	48.7%	0.0%	
Total	163,586	41,298	4,061	364	-381	-1,559	-2,068	-97	3.8%	50.9%	26.6%	
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 184 million (EUR 181 million), the non-defaulted part to EUR 180 million (EUR 172 million).

Loans and advances to customers at AC and coverage by loan loss allowances by business 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
Sep 23											
Retail	61,982	9,627	1,428	96	-155	-613	-837	-22	6.4%	58.6%	22.4%
Corporates	57,230	18,007	1,231	220	-152	-527	-653	-75	2.9%	53.1%	34.0%
Group Markets	452	100	1	0	-1	-1	-1	0	1.1%	98.5%	57.9%
ALM & LCC	429	26	10	0	-2	-5	-8	0	18.6%	84.0%	0.1%
Savings Banks	43,482	13,535	1,391	47	-71	-413	-568	0	3.1%	40.8%	0.0%
GCC	9	3	0	0	0	0	0	0	0.0%	48.7%	0.0%
Total	163,586	41,298	4,061	364	-381	-1,559	-2,068	-97	3.8%	50.9%	26.6%
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
Sep 23						
Austria	112,976	0	1,829	3,019	2,416	120,240
Erste Bank Oesterreich & Subsidiaries	39,978	0	784	53	26	40,841
Savings Banks	56,073	0	1,011	49	1,326	58,458
Other Austria	16,925	0	34	2,917	1,065	20,941
Central and Eastern Europe	43,112	46,526	11	188	89	89,926
Czech Republic	7,463	33,726	1	79	66	41,335
Romania	3,671	8,229	0	88	1	11,988
Slovakia	19,091	0	0	3	21	19,115
Hungary	1,918	4,103	0	6	0	6,028
Croatia	9,270	0	9	10	0	9,288
Serbia	1,701	469	0	2	0	2,172
Other	49	0	0	5	37	92
Total	156,138	46,526	1,840	3,212	2,542	210,257
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	Sep 23
Interest	4.3	5.9
Currency	1.0	1.9
Shares	1.6	1.2
Commodity	0.2	0.2
Volatility	1.1	1.0
Total	4.3	6.2

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, the plan was increased in the second quarter to 6.0 billion. In the first nine months of 2023 about EUR 5.0 billion were issued, thereof two benchmark covered bonds and two benchmark senior bonds. 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 was reduced to EUR 6.8 billion.

Leverage ratio

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

As of 30 September 2023, the leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.6%, comfortably above the 3.0% minimum requirement defined in Article 92 Capital Requirements Regulation (CRR). Tier 1 capital amounted to EUR 23.8 billion at the reference date, while total leverage exposure stood at EUR 359.2 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 24.67% 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 31.8 million (EUR 18.6 million) and no accounts receivable. At the end of the reporting period, Privatstiftung held bonds issued by Erste Group Bank AG of EUR 0.2 million (EUR 0.1 million). No interest expenses arose from the mentioned transactions. 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 0.2 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 investment banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. In case of issued securities with structured features, optionality is taken into account as well when calculating the fair value

OTC-derivative financial instruments. Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes and Hull-White type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo simulation. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. For determining the fair value of 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 9.2 million (2022: EUR 11.4 million) and the total DVA-adjustment amounted to EUR 19.8 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, theoretically priced exchange traded derivatives, less liquid shares, bonds and funds as well as asset backed securities (ABS), collateralized debt obligations (CDO), own issues and deposits.

Level 3 of the fair value hierarchy

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

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

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

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

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

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

in EUR million	Dec 22				Sep 23			
	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	2,095	4,814	62	6,971
Derivatives	10	1,677	32	1,719	2	1,333	22	1,357
Other financial assets held for trading	1,820	3,947	281	6,047	2,093	3,481	40	5,615
Non-trading financial assets - FVPL	1,337	200	1,198	2,735	1,397	154	1,337	2,889
Equity instruments	37	33	277	347	69	6	310	384
Debt securities	1,300	167	82	1,549	1,329	148	78	1,555
Loans and advances	0	0	839	839	0	0	949	949
Financial assets FVOCI	7,878	1,284	398	9,560	8,747	1,190	289	10,227
Equity instruments	1	0	98	99	1	0	97	98
Debt securities	7,877	1,283	300	9,460	8,746	1,190	192	10,129
Hedge accounting derivatives	0	155	3	159	0	204	0	204
Total assets	11,044	7,263	1,912	20,219	12,240	6,362	1,689	20,291
Liabilities								
Financial liabilities HFT	585	2,667	12	3,264	461	1,964	3	2,428
Derivatives	8	2,608	11	2,626	3	1,913	3	1,918
Other financial liabilities held for trading	578	59	1	637	459	51	0	510
Financial liabilities - FVPL	0	10,663	151	10,814	0	10,797	134	10,931
Deposits from customers	0	1,353	0	1,353	0	1,016	0	1,016
Debt securities issued	0	9,310	0	9,310	0	9,781	0	9,781
Other financial liabilities	0	0	151	151	0	0	134	134
Hedge accounting derivatives	0	372	0	372	0	300	0	300
Total liabilities	585	13,702	163	14,451	461	13,060	137	13,658

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

in EUR million	Dec 22		Sep 23	
	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	21	38
Bonds	33	48	21	37
Shares	1	1	0	1
Non-trading financial assets at FVPL	15	9	0	17
Bonds	15	6	0	17
Funds	0	2	0	0
Shares	0	1	0	0
Financial assets at FVOCI	407	93	7	438
Bonds	407	93	7	438
Total	456	151	28	493

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	Gain/loss in other comprehensive income											
	Jan 23	Gain/loss in profit or loss	comprehensive income	Purchases	Sales	Settlements	Additions to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency translation	Sep 23
Assets												
Financial assets HFT	313	0	0	21	-3	-228	0	0	13	-53	0	62
Derivatives	32	1	0	0	0	0	0	0	5	-16	0	22
Other financial assets held for trading	281	-1	0	21	-3	-228	0	0	8	-36	0	40
Non-trading financial assets at FVPL	1,198	72	0	153	-8	-84	0	0	8	-20	19	1,337
Equity instruments	277	-5	0	54	-4	0	0	0	0	-11	-1	310
Debt securities	82	-4	0	5	-4	0	0	0	7	-9	0	78
Loans and advances	839	81	0	94	0	-84	0	0	0	-1	20	949
Financial assets FVOCI	398	0	-3	31	0	-19	0	0	7	-126	1	289
Hedge accounting derivatives	3	0	0	0	0	0	0	0	0	-4	0	0
Total assets	1,912	72	-3	205	-11	-332	0	0	27	-202	20	1,689
Liabilities												
Financial liabilities HFT	12	0	0	0	0	0	0	0	0	-9	0	3
Derivatives	11	0	0	0	0	0	0	0	0	-9	0	3
Other financial liabilities held for trading	1	0	0	0	0	0	0	0	0	-1	0	0
Financial liabilities at FVPL	151	4	0	26	-37	-1	0	-9	0	0	0	134
Debt securities issued	0	0	0	0	0	0	0	0	0	0	0	0
Other financial liabilities	151	4	0	26	-37	-1	0	-9	0	0	0	134
Hedge accounting derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Total liabilities	163	4	0	26	-38	-1	0	-9	0	-9	0	137
Jan 22												
Assets												
Financial assets HFT	46	-24	0	74	-1	0	0	0	40	-18	0	116
Derivatives	27	-19	0	2	0	0	0	0	40	-17	0	33
Other financial assets held for trading	18	-5	0	72	-1	0	0	0	0	-1	0	84
Non-trading financial assets at FVPL	1,173	-81	0	297	-23	-66	0	0	61	-10	-95	1,256
Equity instruments	283	-9	0	20	-9	0	0	0	0	-2	0	283
Debt securities	72	-1	0	110	-4	-15	0	0	56	-8	0	209
Loans and advances	818	-70	0	167	-10	-51	0	0	5	0	-95	764
Financial assets at FVOCI	470	1	-32	6	-3	-13	0	0	66	-87	0	408
Hedge accounting derivatives	0	1	0	0	0	0	0	0	0	0	0	1
Total assets	1,689	-102	-32	376	-26	-79	0	0	167	-115	-95	1,782
Liabilities												
Financial liabilities HFT	9	4	0	6	0	0	0	0	13	0	0	33
Derivatives	9	4	0	4	0	0	0	0	13	0	0	31
Other financial liabilities held for trading	0	0	0	2	0	0	0	0	0	0	0	2
Financial liabilities at FVPL	245	-23	0	57	-60	-1	0	0	0	-54	0	163
Debt securities issued	54	0	0	1	0	0	0	0	0	-54	0	1
Other financial liabilities	191	-23	0	56	-60	-1	0	0	0	0	0	162
Hedge accounting derivatives	2	-2	0	0	0	0	0	0	0	0	0	0
Total liabilities	256	-21	0	64	-60	-1	0	0	13	-54	0	196

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	1-9 22	1-9 23
Assets		
Financial assets HFT	-23.8	0.6
Derivatives	-19.3	1.8
Other financial assets held for trading	-4.5	-1.2
Non-trading financial assets at FVPL	-80.1	72.1
Equity instruments	-10.3	-5.1
Debt securities	0.3	-3.9
Loans and advances	-70.1	81.2
Financial assets at FVOCI	0.2	-0.3
Debt securities	0.2	-0.3
Hedge accounting derivatives	1.0	0.0
Total	-102.7	72.4
Liabilities		
Financial liabilities HFT	-3.4	-0.2
Derivatives	-4.4	-0.2
Other financial liabilities held for trading	1.0	0.0
Financial liabilities at FVPL	22.9	-4.1
Deposits from customers	0.0	0.0
Debt securities issued	0.0	0.0
Other financial liabilities	22.9	-4.1
Hedge accounting derivatives	2.4	0.0
Total	21.9	-4.3

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)
Sep 23					
Positive fair value of derivatives	Forwards, swaps, options	29.1	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	1.24%-8.52% (6.05%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	12.1	Discounted cash flow	Credit Spread	0.1%-6.23% (1.88%)
	Loans	949.3	Discounted cash flow	PD	1.44%-2.88% (2.20%)
Financial assets at FVOCI	Fixed and variable coupon bonds	175.5	Discounted cash flow	LGD	2.75%-16.87% (7.88%)
				Credit Spread	0.17%-3.56% (1.36%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	191.4	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.96-1.07 Recreation 1.03 Real Estate (General/Diversified) 0.90 Real Estate (Operations, Services) 0.79 Financial Svcs. (Non-bank & Insurance) 0.97-1.05 Software (System & Application) 1.15 Health Resort & Gesundheitszentrum 0.71 Transportation 1.06 Investments & Asset Management 0.98
				Country risk premium	Austria 0.43%-0.49%, Croatia 2.04%, Czech Republic 0.64%, Romania 2.35-2.69%, Slovakia 0.91%-1.04%, Hungary 2.04% Resulting cost of equity based on above inputs: 5.92%-13.75%
		146.6	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%)
Financial assets at FVOCI	Fixed and variable coupon bonds	237.7	Discounted cash flow	LGD	0%-25.79% (5.16%)
				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 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 28.8 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 39.0 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

in EUR million	Dec 22		Sep 23	
	Positive	Negative	Positive	Negative
Derivatives	2.9	-3.4	1.6	-2.1
Income statement	2.9	-3.4	1.6	-2.1
Debt securities	10.0	-13.3	7.4	-9.9
Income statement	2.4	-3.2	3.4	-4.5
Other comprehensive income	7.6	-10.1	4.0	-5.4
Equity instruments	64.8	-49.8	64.1	-48.7
Income statement	42.9	-35.4	41.6	-34.0
Other comprehensive income	21.9	-14.4	22.5	-14.7
Loans	15.7	-46.4	16.7	-53.9
Income statement	15.7	-46.4	16.7	-53.9
Total	93.4	-112.9	89.8	-114.6
Income statement	63.9	-88.4	63.3	-94.5
Other comprehensive income	29.5	-24.5	26.5	-20.1

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
Sep 23					
Assets					
Financial assets at AC	270,286	259,048	36,463	3,708	218,876
Loans and advances to banks	28,094	27,612	0	0	27,612
Loans and advances to customers	197,825	191,191	0	0	191,191
Debt securities	44,367	40,246	36,463	3,708	74
Finance lease receivables	4,869	4,810	0	0	4,810
Trade and other receivables	2,510	2,488	0	0	2,488
Liabilities					
Financial liabilities at AC	290,402	288,231	17,214	11,431	259,586
Deposits from banks	23,223	22,914	0	0	22,914
Deposits from customers	234,758	233,597	0	0	233,597
Debt securities issued	31,307	30,607	17,214	11,431	1,962
Other financial liabilities	1,114	1,112	0	0	1,112
Financial guarantees and commitments					
Financial guarantees	n/a	65	0	0	65
Loan commitments	n/a	554	0	0	554
Dec 22					
Assets					
Financial assets at AC	253,360	240,268	31,703	3,699	204,867
Loans and advances to banks	18,435	18,138	0	0	18,138
Loans and advances to customers	194,313	186,501	0	0	186,501
Debt securities	40,612	35,630	31,703	3,699	228
Finance lease receivables	4,553	4,499	0	0	4,499
Trade and other receivables	2,404	2,389	0	0	2,389
Liabilities					
Financial liabilities at AC	278,932	276,200	12,875	12,293	251,032
Deposits from banks	28,821	28,290	0	0	28,290
Deposits from customers	222,620	221,224	0	0	221,224
Debt securities issued	26,593	25,789	12,875	12,293	621
Other financial liabilities	899	898	0	0	898
Financial guarantees and commitments					
Financial guarantees	n/a	47	0	0	47
Loan commitments	n/a	529	0	0	529

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

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

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

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

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

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

	1-9 22	1-9 23
Austria	15,742	16,042
Erste Group, EB Oesterreich and subsidiaries	8,625	8,904
Haftungsverbund savings banks	7,117	7,138
Outside Austria	29,162	29,673
Česká spořitelna Group	9,794	10,016
Banca Comercială Română Group	5,280	5,497
Slovenská sporiteľňa Group	3,628	3,565
Erste Bank Hungary Group	3,253	3,336
Erste Bank Croatia Group	3,278	3,265
Erste Bank Serbia Group	1,207	1,297
Savings banks subsidiaries	1,465	1,534
Other subsidiaries and foreign branch offices	1,257	1,163
Total	44,904	45,716

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 V² were transposed into national law in the Austrian Banking Act (ABA).

All requirements as defined in the CRR, the ABA and in technical standards issued by the European Banking Authority (EBA) are applied by Erste Group for regulatory 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 exposure 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 30 September 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	Sep 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%	5.44%
Capital conservation buffer	2.50%	2.50%
Institution-specific countercyclical capital buffer	0.41%	0.69%
Systemic risk buffer (SRB)	1.00%	1.00%
O-SII capital buffer	1.00%	1.25%
Minimum CET 1 requirement (incl. CBR)	9.41%	9.94%
Minimum Tier 1 requirement (incl. CBR)	10.91%	11.44%
Minimum Own Funds requirement (incl. CBR)	12.91%	13.44%
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%	10.92%
Total Tier 1 requirement for Pillar 1 and Pillar 2	12.23%	12.75%
Total Own Funds requirement for Pillar 1 and Pillar 2	14.66%	15.19%

Capital structure

in EUR million	Dec 22		Sep 23	
	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	15,169	15,169
Interim profit	0	0	909	909
Accumulated other comprehensive income	-1,820	-1,820	-1,713	-1,713
Minority interest recognised in CET1	5,866	5,866	6,200	6,200
Common equity tier 1 capital (CET1) before regulatory adjustments	21,808	21,808	22,901	22,901
Own CET1 instruments	-87	-87	-75	-75
Prudential filter: cash flow hedge reserve	197	197	78	78
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	23	23	52	52
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	-21	-21	-20	-20
Value adjustments due to the requirements for prudent valuation	-104	-104	-92	-92
Securitisations with a risk weight of 1,250%	-31	-31	-14	-14
Goodwill	-556	-556	-553	-553
Other intangible assets	-386	-386	-340	-340
Deferred tax assets dependent upon future profitability and not temporary differences net of associated tax liabilities	-219	-219	-216	-216
CET1 capital elements or deductions – other	-180	-180	-299	-299
Common equity tier 1 capital (CET1)	20,443	20,443	21,423	21,423
Additional tier 1 capital (AT1)				
Capital instruments eligible as AT1	2,236	2,236	2,394	2,394
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	2,400	2,400
Own AT1 instruments	-1	-1	-1	-1
Additional tier 1 capital (AT1)	2,241	2,241	2,399	2,399
Tier 1 capital - total of common equity tier 1 (CET1) and additional tier 1 (AT1)	22,684	22,684	23,822	23,822
Tier 2 capital (T2)				
Capital instruments eligible as T2	2,782	2,782	2,994	2,994
Instruments issued by subsidiaries recognised in T2	195	195	335	335
IRB excess of provisions over expected losses eligible	575	575	604	604
Tier 2 capital (T2) before regulatory adjustments	3,552	3,552	3,933	3,933
Own T2 instruments	-51	-51	-67	-67
Tier 2 capital (T2)	3,500	3,500	3,866	3,866
Total own funds	26,184	26,184	27,688	27,688
Capital requirement	11,343	11,514	11,769	11,841
CET1 capital ratio	14.4%	14.2%	14.6%	14.5%
Tier 1 capital ratio	16.0%	15.8%	16.2%	16.1%
Total capital ratio	18.5%	18.2%	18.8%	18.7%

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

Following the approval by the ECB on 1 August 2023, the management and the supervisory board approved the share buy-back programme up to an amount of EUR 300 million. For regulatory capital purposes the full buy-back amount is deducted from the position “Retained earnings”.

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		Sep 23	
	Total risk (phased-in)	Capital requirement (phased-in)	Total risk (phased-in)	Capital requirement (phased-in)
Total risk exposure amount	141,793	11,343	147,115	11,769
Risk-weighted assets (credit risk)	116,730	9,338	123,813	9,905
Standardised approach	20,945	1,676	23,063	1,845
IRB approach	95,780	7,662	100,745	8,060
Contribution to the default fund of a CCP	5	0	6	0
Settlement risk	11	1	2	0
Trading book, foreign FX risk and commodity risk	7,027	562	5,592	447
Operational risk	14,831	1,187	14,561	1,165
Exposure for CVA	418	33	391	31
Other exposure amounts (including Basel 1 floor)	2,775	222	2,755	220

in EUR million	Dec 22		Sep 23	
	Total risk (final)	Capital requirement (final)	Total risk (final)	Capital requirement (final)
Total risk exposure amount	143,926	11,514	148,009	11,841
Risk-weighted assets (credit risk)	118,863	9,509	124,708	9,977
Standardised approach	21,942	1,755	23,957	1,917
IRB approach	96,916	7,753	100,745	8,060
Contribution to the default fund of a CCP	5	0	6	0
Settlement risk	11	1	2	0
Trading book, foreign FX risk and commodity risk	7,027	562	5,592	447
Operational risk	14,831	1,187	14,561	1,165
Exposure for CVA	418	33	391	31
Other exposure amounts (including Basel 1 floor)	2,775	222	2,755	220

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

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

35. Events after the reporting date

There are no significant events after the balance sheet date.

There are no significant events after the balance sheet date. 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

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

Note regarding forward-looking statements

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

FINANCIAL CALENDAR

29 February 2024	Full-year preliminary results 2023
29 March 2024	Annual financial report 2023
30 April 2024	Results for the first quarter of 2024
22 May 2024	Annual general meeting
2 August 2024	Half year financial report 2024
31 October 2024	Results for the first three quarters of 2024

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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