Disclosure Report 2022

pursuant to Part Eight of the

Capital Requirements Regulation (CRR)

Table of contents

Definitions

Reporting period
The report is based on figures as of 31 December 2022. In case tables include information on more periods, figures belonging to each period are properly marked.

Exposure for the regulatory purpose
Regulatory exposure corresponds to exposure amount applied in credit risk Standardised approach (Part Three, Title II, Chapter 2, Article 111 of the CRR) or to exposure at default (EAD) in case of Internal Rating Based approach (Part Three, Title II, Chapter 3, Article 166-168 of the CRR).

Exposure classes
The breakdown by exposure class is presented in accordance with Part Three, Title II, Chapter 2, Article 112 (referred to as Standardised Approach) and in accordance with Part Three, Title II, Chapter 3, Section 1, Article 147 (referred to as IRB Approach) of the Capital Requirements Regulation (CRR).

Gross carrying amount
For financial assets at amortised cost the gross carrying amount includes the contractual amount outstanding at the reporting period, adjusted by any interest accrued for the period based on the effective interest rate of the asset. For financial instruments measured at fair value through other comprehensive income (FVTOCI), gross carrying amount is fair value after adding back the accumulated impairment recognized against OCI. For performing debt instruments measured at fair value, gross carrying amount is fair value, while for non-performing debt instruments is fair value after adding back accumulated negative fair value changes.

Accounting values
The accounting values correspond to the book values (carrying amount) reported in financial statements. Carrying amounts in case of assets measured at amortised cost are the gross carrying amounts after deduction of the loss allowance. For financial instruments measured at fair value through other comprehensive income (FVTOCI) and fair value through profit and loss is fair value. Off-balance represent nominal values of off-balance item (guarantees given, loan commitments, other commitments), before application of the CCF. Net value in case of off-balance are nominal values after deduction of provisions for off-balance items.

Credit risk adjustments
Credit risk adjustments include loss allowances and provisions calculated in line with the relevant accounting standards. Credit risk adjustments presented in the report are calculated in line with the IFRS 9 and IAS 37 standards. Loss allowances, according to IFRS 9, represent 12 months or lifetime expected loss for financial assets measured at amortised cost (including lease and trade receivables), financial assets measured at FVTOCI and provisions for off balance items (loan commitments and financial guarantees). Other commitments, booked as off balance items, are subject to provisioning in line with IAS37.

Write-offs
Derecognition of financial instruments as the bank has no reasonable expectation of recovering the contractual cash flows. Write-offs include (1) decrease of book value directly recognised in profit and loss and (2) utilisation of allowances (decrease of book value based on allowances created in previous period).

Disclosures in other published reports

A number of CRR disclosure requirements are covered by Erste Group's annual report. The respective articles of the CRR and the corresponding page number(s)f of the annual report for 2022 can be found in the table below.

CRR article		Disclosure requested in the CRR article	Reference to annual report	Sub-chapter in annual report	Page
435-1(b)	Risk management objectives and policies	Structure and organisation of the relevant risk management function including information on its authority and statute, or other appropriate arrangements	Note 32. Risk management	Risk management	207 - 212
435-1(c)	Risk management objectives and policies	Scope and nature of risk reporting and measurement systems	Note 32. Risk management	Risk management	212 - 253
435-2(a)	Governance arrangements	Number of directorships held by members of the management body	Corporate governance report		112 - 113
435-2(b)	Governance arrangements	Recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	Corporate governance report	Management Board	112
435-2(c)	Governance arrangements	Policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved	Corporate governance report	Promoting women to management boards, supervisory boards and managing positions	125

Table 1: Overview of CRR disclosure requirements covered by Erste Group's annual report

Own Funds - Capital Instruments – DISCLOSURE REQUIREMENTS Art. 437 (b) AND (c) CRR

On the website of Erste Group https://www.erstegroup.com/en/investors/reports/regulatory-reports, all capital instruments that are eligible at Erste Group consolidated level are listed in a separate document based on the template published in the Official Journal of the (EU) 2021/637 of 15 March 2021. Furthermore, the full terms and conditions of the capital instruments are available on Erste Group's website or on the website of each of the issuing credit institutions respectively.

Indicators of Global Systemic Importance – DISCLOSURE REQUIREMENTS EBA/GL/2020/14

The data template for the indicators of Global Systemic Importance is disclosed in a separate document, which is published on Erste Group's website under https://www.erstegroup.com/en/investors/reports/regulatory-reports

Remuneration Policy – DISCLOSURE REQUIREMENTS Art. 450 CRR

Information on the remuneration policy and practices at Erste Group is disclosed in a separate document, which is published on Erste Group's website under https://www.erstegroup.com/en/investors/reports/regulatory-reports.

Outline of the differences in the scopes of consolidation by entity level – DISCLOSURE REQUIREMENTS Art. 436 CRR

Description of the differences in the scope of the consolidation at the level of each entity based on Guidelines on disclosure requirements under Part Eight of the Regulation (EU) No 575/2013 is available at the Erste Group's website under https://www.erstegroup.com/en/investors/reports/regulatory-reports.

Disclosure requirement of large subsidiaries – DISCLOSURE REQUIREMENT Art. 13

The identified large subsidiaries of Erste Group (Česká spořitelna, a.s. (CS), Slovenská sporitel'ňa, a.s. (SLSP), Erste Bank Hungary Zrt. (EBH), Erste & Steiermärkische Bank d.d. (EBC), Banca Comercială Română S.A. (BCR) and Erste Bank Österreich (EBÖ)) fulfill the respective disclosure requirement in a separate report, published on respective web page of each entity.

Overview of non-applicable disclosures

The following table provides an overview of the Articles of the CRR not covered by the Disclosure Report or included in other disclosures as mentioned above with an explanation of reasons for non-disclosure in this report.

CRR article		Disclosure requested in the CRR article	Reason for non-applicable disclosure
437 (f)	Disclosure of own funds	Where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	Erste Group does not disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in the CRR.
437a	Disclosure of own funds and eligible liabilities	Disclosure of own funds and eligible liabilities for institutions subject to Article 92a and 92b.	Erste Group is not classified as GSII.
438 (g)	Disclosure of own funds requirements and risk-weighted exposure amounts	The supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied.	Erste Group is doesn't fulfil conditions to be classified as financial conglomerate.
439 (k)	Disclosure of exposures to counterparty credit risk	Estimate of α if the institution has received the permission of the competent authorities to estimate α.	Erste Group does not apply any own estimates of the scaling factor.
439 (m)	Disclosure of exposures to counterparty credit risk	Institutions shall disclose the information regarding their exposure to counterparty credit risk in case using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three	Starting with June 2021, Erste Group switched to using the standardized approach for counterparty credit risk (SA-CCR) and replaced the original exposure method and the current exposure method used previously.
441	Disclosure of indicators of global systemic importance	G-SIIs shall disclose, on an annual basis, the values of the indicators used for determining their score in accordance with the identification methodology referred to in Article 131 of Directive 2013/36/EU.	Erste Group is not classified as GSII.
447 (h)	Disclosure of key metrics	Disclosure of their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable.	Erste Group is not classified as GSII.
449 (e)	Disclosure of exposures to securitisation positions	A list of any legal entities in relation to which the institutions have disclosed that they have provided support in accordance with Chapter 5 of Title II of Part Three CRR.	No implicit support in accordance with Chapter 5 of Title II of Part Three CRR has been provided to CSAS 2019-1 and SLSP SME 2021-1 securitisation transactions by Erste Group
449 (f)	Disclosure of exposures to securitisation positions	A list of legal entities affiliated with the institutions and that invest in securitisations originated by the institutions or in securitisation positions issued by SSPEs sponsored by the institutions.	No affiliated legal entities of Erste Group are invested in securitisations originated by Erste Group.
449 (i)	Disclosure of exposures to securitisation positions	Where applicable, a description of the Internal Assessment Approach as set out in Chapter 5 of Title II of Part Three CRR including the structure of the internal assessment process and the relation between internal assessment and external ratings of the relevant ECAI disclosed in accordance with point (h), the control mechanisms for the internal assessment process including discussion of independence, accountability, and internal assessment process review, the exposure types to which the internal assessment process is applied and the stress factors used for determining credit enhancement levels.	The Internal assessment approach for calculation of the risk weighted exposure amounts is not applied by Erste Group.
453 (j)	Disclosure of the use of credit risk mitigation techniques	For institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of risk- weighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	Erste Group does not use credit derivatives as credit mitigation technique.
455 (a) (ii)	Use of internal market risk models	Where applicable, for the internal models for incremental default and migration risk and for correlation trading, the methodologies used and the risks measured through the use of an internal model including a description of the approach used by the institution to determine liquidity horizons, the methodologies used to achieve a capital assessment that is consistent with the required soundness standard and the approaches used in the validation of the model.	Erste Group does not use internal models for incremental default and migration risk and for correlation trading.
455 (d) (iii)	Use of internal market risk models	Highest, lowest and mean of risk numbers for incremental default and migration risk and for the specific risk of the correlation trading portfolio over the reporting period and at the end of the reporting period.	Erste Group does not use internal models for incremental default and migration risk and does not have a correlation trading portfolio.

Table 2: Overview of non-applicable disclosures

List of abbreviations

ABA	American Banking Association
AC	Amortised Cost
ALCO	Asset Liability Committee
ALM	Asset Liability Management
ALMM	Additional Liquidity Monitoring Metrics
AMA	Advanced Measurement Approach
BaSAG	Bundesgesetz über die Sanierung und Abwicklung von Banken; Austrian Banking Recovery and Resolution Law
BBRM	Banking Book Risk Management
BCBS	The Basel Committee on Banking Supervision
BIA	Basic Indicator Approach
BRRD	The Bank Recovery and Resolution Directive
BS	Balance Sheet
BWG	Bankwesengesetz, The Austrian Banking Act
CBC	Counterbalancing Capacity
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CEE	Central and Eastern Europe
CET1	Common Equity Tier 1
CFP	Contingency Funding Plan
CIS	Commonwealth of Independent States
CIU	Collective Investment Undertakings
CLA	Credit Loss Allowances
COREP	Common Reporting Framework
CPR	Conditional Prepayment Rate
CRD IV	Capital Requirements Directive IV
CRM	Credit Risk Mitigation
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustments
DPD	Days Past Due
DTA	Deferred Tax Assets
EAD	Exposure at Default
EBA	European Banking Authority
EBOe	Erste Bank der Oesterreichischen Sparkassen AG
ECAI	The External Credit Assessment Institution
ECB	European Central Bank
ECL	Expected Credit Loss
EEPE	Effective expected positive exposure
EFSI	The European Fund for Strategic Investments
EHQLA	Extremely High Quality Liquid Assets
EIB	The European Investment Bank
EIF	The European Investment Fund
ERM	Enterprise-wide Risk Management
ESG	Environmental, Social and Governance
EU	European Union
EVE	Economic Value of Equity
FINREP	Financial Reporting
FLI	Forward-looking information
FMA	Austrian Financial Market Authority
FRB	The United States Federal Reserve Board
FTP	Funds Transfer Pricing
FVTOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit and Loss
FX	Foreign exchange
GDP	Gross Domestic Product
GLMRM	Group Liquidity and Market Risk Management
HMC	Holding Model Committee
HQLA	High quality liquid assets
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Models Approach
IMM	Internal Model Method
IPS	Institutional Protection Scheme
IRB	Internal Ratings Based
ISDA	International Swaps and Derivatives Association
JST	Joint Supervisory Team
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LLP	Loan Loss Provisions
LLSFR	Loans to Local Stable Funding Ratio
LRE	Leverage Ratio Exposure
LT EAD	Life-time Exposure at Default
LT PD	Life-time Probability at Default
MPE	Multiple Point of Entry
MRC	Market Risk Committee
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MRS	Market Risk Solution
MVoE	Market Value of Equity
NFR	Non-Financial Risks
NII	Net Interest Income

NPE	Non-performing Exposure
NPL	Non-performing Loan
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
OCI	Other Comprehensive Income
OeNB	Oesterreichische Nationalbank; Austrian National Bank
OLC	Operational Liquidity Committee
OTC	Over-the-counter
PD	Probability of Default
PI	Private Individuals
POCI	Purchased or originated credit-impaired
PPU	Permanent Partial Use
QCCP	Qualifying Central Counterparty
QIS	Quantitative Impact Study
RAS	Risk Appetite Statement
RCC	Risk-bearing Capacity Calculation
RMA	Risk Materiality Assessment
RTS	Regulatory Technical Standards
RW	Risk Weight
RWA	Risk-Weighted Assets
ROCC	Regional Operational Conduct Committee
SFT	Securities Financing Transactions
SICR	Significant Increase in Credit Risk
SL	Specialised Lending
S&P	Standard & Poor’s
SME	Small and Medium-sized Enterprises
SPA	Survival Period Analysis
SRC	Standard Risk Costs
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
SSPE	Securitisation Special Purpose Entity
STA	Standardised Approach
STRL	Structural Liquidity Ratio
sVaR	Stressed Value at Risk
TLOF	Total Liabilities and Own Funds
TPU	Temporary Partial Use
USRC	The United States Risk Committee
UTP	Unlikely-to-pay
VaR	Value at Risk

List of tables

List of figures

Introduction

DISCLOSURE REQUIREMENTS Art. 436 (a) CRR

The provisions of Part Eight of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amended by Regulation (EU) 2019/876, hereinafter referred to as the Capital Requirements Regulation (CRR) apply to Erste Group Bank AG (hereinafter referred to as Erste Group) on a consolidated basis. Erste Group was founded in 1819 as the first Austrian savings bank. In 1997, Erste Group went public on the Vienna Stock Exchange with a strategy to expand its retail business into the part of Central and Eastern Europe (CEE) that had realistic prospects of joining the European Union. Against the backdrop of emerging European integration and limited potential for growth in Austria, Erste Group acquired savings banks and financial institutions in countries adjacent to Austria from the late 1990s onwards. Today, Erste Group has an extensive presence in its core markets of Austria, the Czech Republic, Slovakia, Romania, Hungary and Croatia – all of which are members of the European Union. In Serbia, which has been assigned European Union candidate status, Erste Group maintains a minor presence. Besides the core markets, direct and indirect majority and minority banking participations are held in Slovenia, Montenegro, Bosnia and Herzegovina, North Macedonia and Moldova. Erste Group's shares are listed on the Vienna Stock Exchange, on the Prague Stock Exchange (since October 2002) and on the Bucharest Stock Exchange (since February 2008).

The core activities of Erste Group, in addition to the traditional focus on serving private individuals, include advisory services and support for corporate clients in financing, investment and access to international capital markets, public sector funding and interbank market operations.

This disclosure report gives readers a comprehensive overview of the current risk profile and risk management of Erste Group and covers the following areas:
- risk management;
- capital structure;
- capital adequacy;
- risk management systems and procedures;
- risk management with respect to each type of risk;
- risks assumed;
- credit risk mitigation techniques and
- environmental, social and governance risks.

Disclosure policy and structure

The current Disclosure Report of Erste Group meets the disclosure requirements of Part Eight of the CRR, which took effect on 1 January 2014. In addition, report complies with the requirements set in Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 (EBA/ITS/2020/04 published on 24 June 2020) and other disclosure related guidelines.

The Disclosure Report provides comprehensive disclosures on risks, risk management and capital management. The Erste Group disclosure is published on quarterly basis, following the scope and frequency as defined by Art. 433 and 433a of the CRR, further specified by Implementing technical standards on public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 (EBA/ITS/2020/04), published in Official Journal as of March 2021, under refference (EU) 2021/637.

Erste Group has opted for the Internet as the medium for publishing its disclosures under Article 434 CRR. Details are available on the website of Erste Group at https://www.erstegroup.com/en/investors/reports. Relevant disclosures are either included in the annual report in the section "Financial reporting" or published as separate documents in the section "Regulatory reporting".

The preparation of the Disclosure Report and the formal review for completeness and compliance with the applicable requirements is carried out by Enterprise wide Risk Management. The Disclosure Report is subject to review by internal audit.

The Group Disclosure Policy, supplemented by a series of operating procedures, sets out the overarching principles and guidelines used by the Group in order to fulfil its disclosure requirements under Part Eight of the CRR as well as the processes in place to establish, review and approve the actual disclosures.

The Disclosure Report has been attested by the Head of Enterprise Wide Risk Management.

The regulatory framework of Basel 3

Implementation of Basel 3 in the European Union (EU)

On 26 June 2013, the European Parliament adopted the new capital and liquidity requirements for the implementation of Basel 3 in the EU (Capital Requirements Directive IV, - CRD IV and Capital Requirements Regulation – CRR I). On 20 May 2019, the amendments to the Capital Requirements Directive (CRD V) and the Capital Requirements Regulation (CRR II) were published in the Official Journal of the EU. The application of the new regulatory requirements for credit institutions and investment firms became effective as of 28 June 2021, with partial applicability date from May 2019. As of this time, Erste Group has been calculating regulatory capital and regulatory capital requirements according to Basel 3 revised framework.

The “Three Pillars” were introduced for the first time under Basel 2. The objectives of this framework are: more risk sensitive capital allocation (Pillar 1 – Minimum Capital Requirements), more detailed regulatory assessment of material risk categories (Pillar 2 - Supervisory Review Process) and increased market transparency (Pillar 3 – Market Discipline). Reforms introduced by latest Basel 3 framework aim to strengthen regulation, supervision and risk management of the banking sector, especially by improving banking sector’s ability to absorb shocks arising from financial and economic stress, improving management and governance of risk and strengthening banks’ transparency and disclosures.

Pillar 1 – Minimum requirements

As already introduced by Basel 2, Pillar 1 covers the calculation of capital requirements for credit risk, market risk and operational risk. As such, it details the different methods available for calculating risk weighted assets for the three risk types and provides information on the eligibility criteria for the constituents of the capital base. Under Basel 3, a leverage exposure requirement was introduced to complement the minimum risk-based capital requirements.

Basel 3 extended minimum requirements to also cover liquidity in addition to capital. In this regard, Pillar 1 specifies the requirements for the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Pillar 2 – Supervisory review process

Pillar 2 requires banks to conduct an internal capital adequacy assessment process (ICAAP) to demonstrate that they have implemented methods and procedures to safeguard capital adequacy with due attention to all material risks. The ICAAP supplements the minimum regulatory requirements of Pillar 1. It considers a broader range of risk types as well as Erste Group’s risk and capital management capabilities.

In parallel to the introduction of Pillar 1 requirements for liquidity through the Basel 3 framework, the ICAAP was complemented with an internal liquidity adequacy assessment process (ILAAP) to ensure banks have implemented processes and tools to safeguard the adequacy of their funding and liquidity.

Furthermore, Pillar 2 requires supervisors to conduct a Supervisory Review and Evaluation Process (SREP) to assess the soundness of banks’ ICAAP and ILAAP and take any appropriate actions that may be required.

Pillar 3 – Market discipline

Taking account of Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review Process), Pillar 3 aims to increase market transparency by providing information on the scope of application, regulatory capital, risk positions, risk measurement approaches and therefore, the capital adequacy of a bank.

Risk management at Erste Group

DISCLOSURE REQUIREMENTS Art. 435 (1) CRR and Art. 435 (2) CRR

Risk policy and strategy

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.

Erste Group has developed a risk management framework that is forward-looking, tailored to its business and risk profile and adequate for Erste Group risk profile and strategy. This framework is based on a clear risk strategy that defines the overall strategic direction of the Group in terms of risk-taking and sets strategic-level limits by risk type, which are derived from the Group Risk Appetite Statement (RAS). The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

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

Risk management organisation

Risk monitoring and control is achieved through a clear organisational structure with defined roles and responsibilities, delegated authorities and risk limits. Erste Group's risk management organisation is presented in detail in Erste Group's annual report 2022, Note 32 to the Group financial statements.

GROUP GOVERNANCE FOR RISK MANAGEMENT ACTIVITIES

The Management Board regularly deals with risk issues of all risk types in its regular board meetings. Actions are discussed and taken when needed.
Furthermore, certain cross-divisional committees were established with the purpose of carrying out risk management activities in Erste Group. They are shown in the following diagram:

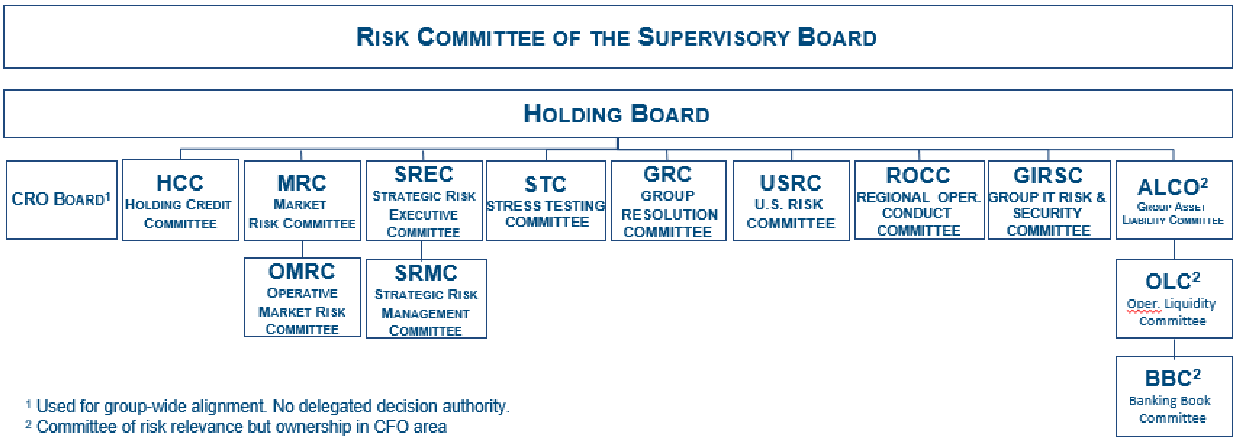

Figure 1: Risk Management Committees

The **Risk Committee of the Supervisory Board** is responsible for granting approval in all cases in which loans and exposures reach an amount exceeding the approval authority of the Management Board according to the Credit Risk Approval Authority Regulations. It is in charge of granting approval to large exposures pursuant to Article 392 CRR, if such a claim is equal to or exceeds 10% of the eligible capital of a credit institution. Within the competence assigned to it, the committee may grant advance approvals to the extent permitted by law.

The Risk Management Committee meets regularly and is responsible for supervising the risk management of Erste Group Bank AG. As the central risk control body, the Risk Management Committee is regularly briefed on the risk status across all risk types.

The **CRO Board** is responsible for the coordination and implementation of risk management activities within Erste Group. The CRO Board consists of the Group CRO, the chief risk officers of major subsidiaries within Erste Group and the B-1 managers of the Holding CRO division. Chaired by the Group CRO, the CRO Board is the primary body for aligning on strategically relevant topics of the risk division across Erste Group entities, including (but not limited to) the group-wide strategic planning, the project portfolio and Change the Bank (CtB) investments. The CRO Board ensures a consistent flow of information from and to the group functions and supports the setting of the overall risk agenda.

The **Holding Credit Committee** (HCC) is the highest operative decision-making body which decides on credit applications addressed to members of the Holding Board in accordance with the currently valid Credit Risk Approval Authority Regulations of Erste Group Bank AG, including acceptance of the nonfinancial risk related to reputational impact. It also decides on annual corporate industry strategy report. HCC recommends the lending decision on the credit applications that exceed the approval authority of the HCC to the Risk Committee of the Holding Supervisory Board in accordance with the current valid credit risk approval authority regulations. The HCC is headed by the Group CRO and comprises the board member of Corporates & Markets, the head of Corporate Risk Management, Head of Credit Risk Portfolio, the head of the requesting business line, the head of Enterprise-wide Risk Management (only with a veto right for nonfinancial risk related to reputational impact: “amber” and “red”) and the Head of the Group ESG Office only with a sustainability-linked/justified veto right for credit applications of clients / client groups with a critical ESG assessment . Each subsidiary has their own local credit committee established by the same principles.

The **Market Risk Committee** (MRC) is the main steering body for market risk and trading book related issues of Erste Group, including ESG risks. MRC approves group-wide market risk limits and elaborates on the current market situation. In addition, it approves market risk methodologies and models, model changes, and related validation results.

The **Operative Market Risk Committee** (OMRC) prepares decisions for the MRC and approves sensitivity and notional limits which do not require VaR/SVaR limit adjustments.

The **Strategic Risk Executive Committee** (SREC), holds specific delegated decision authority from the Holding and EBOe Board with respect to all group-wide and selected AT-wide material risk matters including: all risk relevant models and methodologies, oversight of group wide consistency in execution of group wide model governance and standards regarding model development, validation and monitoring. In regard to material Market & Liquidity risk topics (ICAAP, model relevant) are approval via ALCO/MRC (Market Risk Committee) and pre-approval by SRMC or if required by SREC is needed. All topics/changes assessed as material are subject of SREC approval. Topics which are affecting the Group (e.g. group-wide aspects, local models used for P1/P2 group consolidated purposes etc.) are approved in line with dual approval principle (local pre-approval, followed by SREC-approval). Committee is chaired by the Group CRO.

The **Strategic Risk Management Committee** (SRMC) is responsible for the approval/acknowledgment of the immaterial risk management topics for Erste Group, Holding and EBOe including all risk relevant models and methodologies, oversight of group wide consistency in execution of group wide model governance. Standards regarding model development, validation and monitoring, in regard to immaterial Market & Liquidity risk topics (ICAAP, model relevant) are approved via ALCO/MRC (Market Risk Committee) and pre-approved by SRMC or if required by SREC. Topics which are affecting the Group (e.g. group-wide aspects, local models used for P1/P2 group consolidated purposes etc.) are approved in line with dual approval principle (local pre-approval, followed by SRMC-approval). Committee is chaired by Head of Credit Risk Methods, (Deputy) Head of Enterprise-wide Risk Mngmt or Head of Credit Risk Portfolio (quarterly rotating responsibility and deputy role).

The **Stress Testing Committee** (STC) is the sole forum for all joint resolutions, decisions and acknowledgements in the stress testing area for group-wide stress testing activities.

The **Group Resolution Committee** (GRC) is the sole group-wide forum for all joint alignments, endorsements, decision making as well as acknowledgements related to resolution relevant topics in Erste Group’s across all its divisions, departments and staff units. The Committee is created under the guidance set forth in SRBs (Single Resolution Board) “Expectations for Banks (EfB)” document under paragraph 2.1.3, and clustered based on the resolvability dimensions set out by the SRB’s guidance. GRC is chaired by Group CRO.

The **United States Risk Committee** (USRC) holds delegated decision authority from the Holding Board with respect to overseeing Combined U.S. Operations (CUSO) risk management policies and the implementation of such policies. The USRC must take appropriate measures to ensure that CUSO (comprised of the New York Branch (NYB) and Erste (Finance) Delaware LLC, the EGB-owned commercial paper subsidiary managed by the branch) implements the risk management policies that are overseen by the U.S. Risk Committee. Risk management policies must be commensurate with the nature, size and risk profile of its operations and activities.

The **Regional Operational Conduct Committee (ROCC)** (a) decides on strategic steering topics based on NFR reporting (holistic risk overview), (b) serves as a sounding board on business risk decisions concerning non-financial risks and ESG impacts and (c) decides on escalations to Holding Board. It facilitates lessons learned, initiates focus areas, decides on the implementation of corresponding group-wide measures and acts as a Committee for reputational risk and ESG related non-financial risk impact. The ROCC is a forum for joint alignments, decisions, and escalations in non-financial risk areas across Erste Group entities and Erste Group Bank AG itself.

The **Group IT Risk & Security Committee** (GIRSC) is a designated sub-committee of the Management Board of Erste Group Bank AG (Holding Board). The decision authority of the GIRSC covers group-wide governance of Erste Group including Holding as a legal entity. The GIRSC is entitled to ensure group-wide consistency of standards, methodology, management processes in identification, assessment and reporting Cyber/ICT risk & Security, including monitoring of mitigation measures, controls and residual risk.

The **Group Asset/Liability Committee** (ALCO) manages the consolidated Erste Group balance sheet, focusing on trade-offs be-tween all affected consolidated balance sheet risks (interest rate, exchange rate and liquidity risks, including ESG risks), and takes care of the setting of group standards and limits for the members of Erste Group. In addition, it approves policies and strategies for controlling liquidity risk as well as interest rate risk (net interest income) and examines proposals, statements and opinions of ALM, risk management, controlling and accounting functions. The approved investment strategy complies with the guidelines agreed with Risk Management.

The **Operational Liquidity Committee** (OLC) is a discussion forum and decision-making body on liquidity related topics organized by the local ALM units. It analyses the liquidity situation of the respective unit in the context of the current market situation and the future market outlook, decides on liquidity issues and reports directly to the ALCO. Furthermore, the Chairman of the OLC is the primary contact person for other departments or OLC members for liquidity related topics. Local OLC, which shall be held on a bi-weekly basis, is a regular committee dealing with liquidity related topics of the respective unit.

Since September 2021 a **Banking Book Committee** (BBC) is established on Holding level serving as a discussion forum and decision-making body on IRRBB related topics. It is organized by Group ALM. It analyses the IRRBB situation of the entire Group, decides on IRRBB related issues and serves as a sub-committee to Group ALCO. All relevant decisions made on this committee are reported to the Group ALCO.

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

GROUP-WIDE RISK AND CAPITAL MANAGEMENT

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

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

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

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

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

Risk appetite

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

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

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

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

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

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

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

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

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

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

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

ESG risks are embedded in the Risk Appetite Statement and in the risk strategy and are also part of Erste Group's Risk Materiality Assessments. They are integrated into Erste Group's risk taxonomy as transversal risks (risk types that have impact and are reflected through more than one key risk category) and are included in the relevant risk categories credit, market, liquidity and operational risk.

Erste Group's definition of ESG risk is part of the Group ICAAP guideline and covers a wide range of risks arising from environmental, social and governance factors.

The table below provides an overview of Group performance at year-end 2022 against the approved Group RAS[1]:

RAS core metrics	Category	Year-end 2022	Status	Governance
Solvency Ratio (fully loaded)	Capital	18.2%	●	Holding Board / Risk Committee of Supervisory Board
Tier 1 Ratio (fully loaded)	Capital	15.8%	●	Holding Board / Risk Committee of Supervisory Board
Common Equity Tier 1 Ratio (fully loaded)	Capital	14.2%	●	Holding Board / Risk Committee of Supervisory Board
Economic Capital Adequacy Ratio	Capital	65.9%	●	Holding Board / Risk Committee of Supervisory Board
Leverage Ratio (fully loaded)	Capital	6.6%	●	Holding Board / Risk Committee of Supervisory Board
Survival Period Analysis (SPA)	Liquidity	buffers kept under all scenarios	●	Operational Liquidity Committee / Group Asset Liability Committee / Holding Board / Risk Committee of Supervisory Board
Liquidity Coverage Ratio (LCR)	Liquidity	EUR 20.0 billion	●	Operational Liquidity Committee / Group Asset Liability Committee / Holding Board / Risk Committee of Supervisory Board
Net Stable Funding Ratio (NSFR)	Liquidity	139.0%	●	Operational Liquidity Committee / Group Asset Liability Committee / Holding Board / Risk Committee of Supervisory Board
Return on Tangible Equity (forward looking)	Earnings / Profitability	14.1%	●	Holding Board / Risk Committee of Supervisory Board

Table 3: Group Risk Appetite Assessment

Portfolio and risk analytics

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

Risk materiality assessment

The Risk Materiality Assessment (RMA) determines the materiality of risk types and consequently the risk profile of Erste Group. RMA is an annual process with the purpose of systematic identification of new and assessment of all risks for the Group. Senior management may require to perform RMA on ad hoc basis in addition, in order to address changing operating environment or emerging risks (e.g. interim RMA performed in H1-22 due to Russia-Ukraine conflict). As such, the RMA is an integral part of the ICAAP and serves as a steering tool for senior management.

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

Risk concentration analysis

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

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

Stress testing

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

Erste Group's most complex stress testing activities are scenario stress tests that take a comprehensive account of the impact of various economic scenarios, including second-round effects on all risk types (credit, market, liquidity and operational) and effects on the associated volumes of assets and liabilities as well as on profit and loss sensitivities. In addition to the standard scenario-driven stress testing

[1] For further information on governance see chapter "Group Governance for Risk Management Activities".

exercises, reverse stress tests are performed to identify a scenario or a combination of scenarios in which viability of the current business model can be questioned.

Erste Group has developed specific tools to translate macroeconomic variables (e.g. GDP or unemployment rate) into risk parameters in order to support the stress testing process, which combines bottom-up and top-down approaches. For adapting the stress parameters, Erste Group additionally leverages the experience of its local professionals and uses, where appropriate, their statistical models to simulate the impacts of macroeconomic variables on the probabilities of default in the respective markets. Special attention is given to account for adequate granularity and special characteristics (e.g. countries and industries) when determining the segmentation in which the stressed parameters are defined. Results from Erste Group's internal stress tests are analysed in order to decide on appropriate measures. The internal comprehensive stress tests performed in 2022 indicated no breach of stressed RAS triggers after the application of scenario contingent measures in the last two years of adverse scenario.

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

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

Risk-bearing capacity calculation

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

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

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

The management board and supervisory board (including risk committee of supervisory board) are briefed quarterly on the results of the ICAAP capital adequacy through the Group Risk Report and the Risk Dashboard. The former includes risk profile developments, available capital (coverage potential), consideration of potential losses in stress situations, the degree of the risk limit utilisation and the overall status of capital adequacy. The latter outlines risk profile development in relation to risk appetite.

Risk planning

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

METHODS AND INSTRUMENTS APPLIED

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

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

Capital allocation

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

Recovery and resolution plans

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

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

Resolution Planning. Erste Group collaborates with the resolution authorities in the drawing up of resolution plans as required by BaSAG and EU Regulation No 806/2014 establishing the Single Resolution Mechanism (SRM Regulation). The legislative framework allows for a multiple-point-of-entry (MPE) or a single-point-of-entry (SPE) resolution strategy. The Resolution Authorities formed a joint decision in the resolution college for Erste Group which defines the MPE approach forming separate 6 resolution groups with Erste Group's core CEE subsidiaries and Austria, but with SPE approaches on country level. This results in having resolution groups in Austria, the Czech Republic, Croatia, Hungary, Romania and Slovakia. Under the MPE strategy, a group has more than one Resolution Entity Level which is the entry point for resolution. The resolution plans (including resolution strategy and MREL decisions) are regularly updated by the Resolution Authorities and subject to Joint Decision formed in a resolution college by Resolution College Members.

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

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

RISK MONITORING

All risks group is exposed to and the relevant exposures are monitored on a continuous basis and managed on the following levels: portfolio, organisational and risk type level. The following figure presents an overview of the risk monitoring framework at Group level consisting of both strategic and operational oversight as set out below.

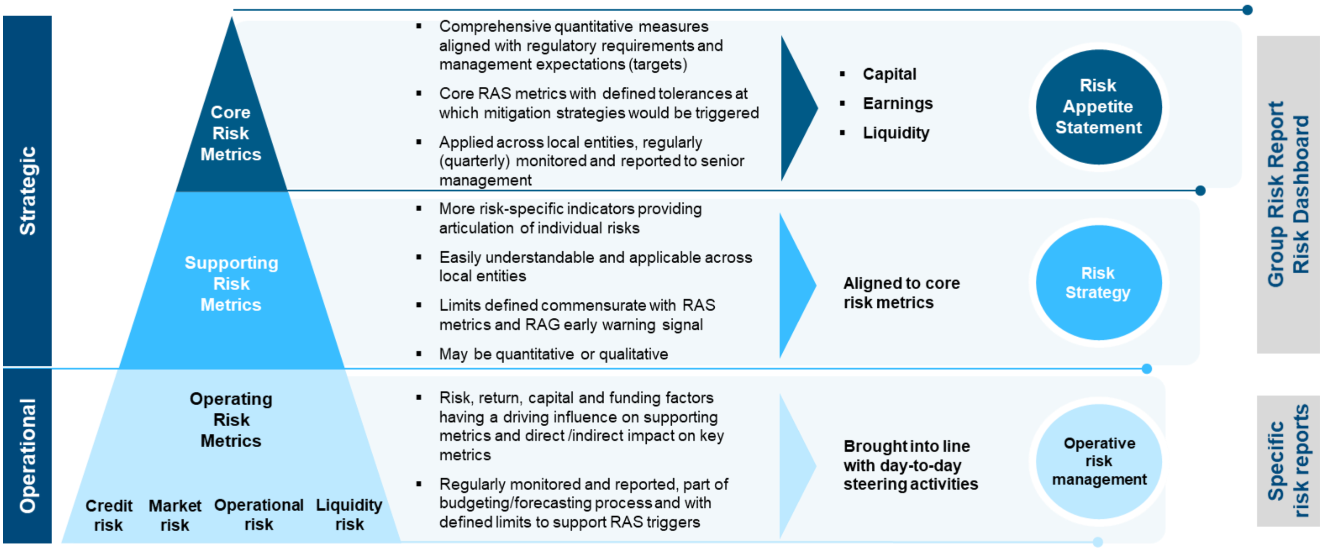

Figure 2: Strategic and operational risk oversight and management at Erste Group

Strategic oversight

The RAS sets the boundary for the maximum risk the bank is willing to accept in order to pursue its business objectives; this includes a set of core steering metrics with trigger levels providing strategic guidelines for risk management and planning. The risk strategy defines the overall strategic direction of Group in terms of risk-taking and sets strategic-level limits by risk type, based on the target risk profile and RAS, and provides a balanced risk-return view considering the strategic focus and business plans.

Both are regularly monitored and reported in the Group Risk Report and Risk Dashboard including a traffic light overview together with respective measures to address deviations from strategic plans or objectives identified. The Group Risk Report and the Risk Dashboard are presented and discussed in the management board, the risk committee of the supervisory board, as well as the supervisory board on a quarterly basis.

Operational oversight

Risk management by risk type ensures that the risk-specific profile remains in line with the risk strategy and operational limits support achievement of the strategic targets. The development of the specific risk profile (i.e. retail credit, corporate credit, operational risks, etc.) is reported through dedicated risk reports in a more granular way and supports risk decision-making of the dedicated risk functions to ensure the risk profile remains within the risk strategy (i.e. operational risk report, retail risk report, etc.). These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of, e.g., portfolio quality (client, segment, countries and industries) or risk drivers.

Management bodies

Erste Group has a two-tier governance structure with a management board and a supervisory board as management bodies. Details on the supervisory board mandates or similar functions, as well as on the policy on diversity are contained in the corporate governance report, which is part of the annual report. The corporate governance report contains, too, details on the process for selection and assessment of members of management bodies. Details on career and education of the management board and the supervisory board members are available on Erste Group's website under https://www.erstegroup.com/en/about-us. Beginning with 2020 financial year, information on the total remuneration of individual members of the management board or the supervisory board and on the principles governing the remuneration policy are no longer disclosed in this consolidated corporate governance report, but in a separate remuneration report pursuant to section 78e Austrian Stock Corporation Act.

RISK COMMITTEE OF THE SUPERVISORY BOARD

The risk committee is one of six committees set up by the supervisory board of Erste Group.

The risk committee advises the management board with regard to the bank's current and future risk appetite and risk strategy and monitors the implementation of this risk strategy. The committee also reviews whether the services and products offered are adequately priced in accordance with the bank's business model and risk strategy. Without prejudice to the duties of the remuneration committee, the risk committee is also responsible for reviewing whether the incentives offered by the internal remuneration system adequately take into account risk, capital, liquidity and the probability and timing of profit realisation. The risk committee is responsible for granting approval in all those cases in which loans and exposures or large exposures reach an amount exceeding the approval authority of the management board defined in the approval authority regulation. The approval of the risk committee is required for large loans as defined in section 28b of the Austrian Banking Act. In addition, it may grant advance approvals to the extent permitted by law. The risk committee is responsible for monitoring the risk management of Erste Group Bank AG. The supervisory board has delegated to the risk committee the right to approve the establishment and closure of branches and to grant special statutory power of attorney (Prokura) or commercial power (Handlungsvollmacht) for all business operations. The committee is responsible for monitoring the Group's portfolio of participations except in cases where this is the responsibility of the audit committee. The tasks of the risk committee include the acknowledgement of reports on legal disputes as well as on important audits of subsidiaries conducted by regulatory authorities. In addition, the risk committee is responsible for reviewing potential stress scenarios in order to assess how the bank's risk profile reacts to external and internal events. Furthermore, the risk committee assesses recommendations of internal and external auditors and monitors the appropriate implementation of measures taken that are not covered by reports of other committees. It also advises and supports the supervisory board in monitoring current and future risk appetite and the risk strategy and submits recommendations on required adjustments to the risk strategy to the supervisory board. Pursuant to the non-legally binding *Expectations for Banks* document published by the Single Resolution Board (SRB) on 1 April 2020, the risk committee is also tasked with taking note of regular reports on activities relating to Erste Group's resolution planning and resolvability.

The risk committee held 17 meetings in 2022, at which it regularly took decisions within its duties and powers as outlined above and was briefed on loans granted within the scope of authorization of the management board.

The entire information flow on risk to the management body, containing information for decision-making and for reporting purpose, is governed by law, the articles of association, its internal rules, policies and guidelines.

Material risks at Erste Group

At Erste Group, the risk materiality assessment is performed for risk types to which a credit institution is or could be potentially exposed to. This Disclosure Report presents the qualitative and quantitative features of the following material risk types in detail:

- Credit risk
- Market risk (including market risks in the banking book)
- Operational risk
- Strategic risk
- Reputational risk
- Compliance risk
- Macroeconomic risk
- Political risk
- ESG risks

In addition, this report describes other risk types as requested by Regulation (EU) 575/2013 and Regulation (EU) 876/2019 amending Regulation (EU) 575/2013.

Scope of application

DISCLOSURE REQUIREMENTS Art. 436 CRR

Accounting principles

The financial and regulatory figures published by Erste Group are based on IFRS. The consolidated financial statements of Erste Group for the financial year ending on 31 December 2022 were prepared in compliance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union on the basis of IAS Regulation (EC) No. 1606/2002. The uniform closing date of the consolidated regulatory figures of Erste Group is the 31 December of the respective year.

Scope of consolidation

The consolidated regulatory own funds and the consolidated regulatory capital requirements are calculated based on the scope of consolidation stipulated in the CRR, based on Art. 4 para 1 (3), (16) to (27) CRR in line with Art. 18 and 19 CRR and para 30 ABA, the scope consists of credit institutions, financial institutions and ancillary service undertakings. Furthermore, Art 18 (7) CRR applies: Where an institution has a subsidiary which is an undertaking other than an institution, a financial institution or an ancillary services undertaking or holds a participation in such an undertaking, it shall apply to that subsidiary or participation the equity method. That method shall not, however, constitute inclusion of the undertakings concerned in supervision on a consolidated basis.

This definition 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 formed part of 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 savings banks forms an institutional protection scheme (IPS) according to Art. 113 para 7 CRR. Disclosure requirements for the institutional protection scheme according to Art. 113 para 7 e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

An entity by entity view with detailed information on the consolidation method applied for each entity within the accounting and the regulatory scopes of consolidation are disclosed at the Erste Group's website under https://www.erstegroup.com/en/investors/reports/regulatory-reports

Main differences between the IFRS- and the regulatory scope of consolidation based on the different requirements as defined in IFRS and CRR as well as the ABA

- Based on the CRR and ABA, mainly credit institutions pursuant to Art. 4 para 1 (1) CRR, ancillary services undertakings pursuant to Art. 4 para 1 (18) CRR and financial institutions pursuant to Art. 4 para 1 (26) CRR have to be considered within the regulatory scope of consolidation. On the contrary under IFRS all controlled entities, irrespectively of their business purpose, have to be consolidated.
- Exclusion of entities from the regulatory scope of consolidation can be applied based on Art. 19 CRR. According to Art. 19 para 1 CRR, entities can be excluded from the regulatory scope if their total assets and off-balance sheet items are less than the lower amount of either EUR 10 million or 1% of the total amount and off-balance sheet items of the parent company. Erste Group applies Art. 19 para 1 CRR.
- According to Art. 19 para 2 CRR, entities can also be excluded if the limits defined in Art. 19 para 1 CRR are exceeded, but are not relevant for regulatory purposes. Exclusion of entities based on Art. 19 para 2 CRR needs the prior approval of the competent authorities. For entities that exceed the limits as defined in Art. 19 para 1 CRR by insignificant amounts, Erste Group applies Art. 19 para 2 CRR and follows the requirements for the approval process as defined within this article. Erste Group does not apply Art. 19 para 1 and 2 CRR for credit institutions and investment firms.
- According to Art 18 para 7 CRR an institution that has a subsidiary which is an undertaking other than an institution, a financial institution or an ancillary services undertaking or holds a participation in such an undertaking, shall apply to that subsidiary or participation the equity method. That method shall not, however, constitute inclusion of the undertakings concerned in supervision on a consolidated basis.

Consolidation methods

Main differences between the IFRS- and the regulatory consolidation method, considering regulatory adjustments

For the calculation of consolidated own funds, Erste Group generally applies the same consolidation methods as used for accounting purposes. The difference relates to Art. 18 para 4 CRR only, which requires proportional consolidation of entities and financial institutions managed by an undertaking included in the consolidation together with one or more undertakings not included in the consolidation, where the liability of those undertakings is limited to the share of the equity held by the institution. Based on Art. 18 para 4 CRR, Erste Group applies proportional consolidation for one entity. Furthermore an additional difference relates to Art. 18 para 7 CRR which requires the equity method for subsidiaries in other undertakings. Erste Group applies this measurement method for its subsidiaries in accordance with CRR.

Consideration of consolidation methods for the calculation of consolidated own funds according to the CRR

The amounts used for the calculation of consolidated own funds derive from the balance sheet according to IFRS. The amounts that are used as the basis for the calculation of consolidated own funds are recalculated based on the definition of the regulatory scope of consolidation according to the CRR. The difference between the IFRS balance sheet and the regulatory balance sheet arises from the different scopes of consolidation. Amounts that relate to the own shares as well as to the minority interests in fully consolidated entities are therefore determined based on the regulatory scope of consolidation according to CRR. Minority interests are calculated based on the requirements as defined in Art. 81 to 88 CRR. Minority interests that relate to entities other than credit institutions are excluded from the own funds. Minority interests that relate to credit institutions are limited to capital requirements that relate to the minority interests in the relevant credit institutions. Erste Group applies Art. 84 CRR.

Consideration of non-consolidated financial sector entities and deferred tax assets that rely on future profitability arising from temporary differences within the calculation of consolidated common equity tier 1 of Erste Group

Carrying amounts representing the investments in financial sector entities as defined in Art. 4 (27) CRR that are not fully consolidated or considered by using the at equity method for regulatory purposes have to be deducted from the own funds based on the requirements as defined in Art. 36 (1) (h), 45 and 46 CRR for non-significant investments and Art. 36 (1) (i) CRR, Art. 43, 45, 47 and 48 CRR for significant investments. For these purposes, non-significant investments are defined as investments in financial sector entities in which the participation is equal to or less than 10% of common equity tier 1 (CET1) of the relevant financial sector entities, while significant investments are defined as investments that are above 10% of the CET1 of the relevant financial sector entities. To determine the participation in the relevant financial sector entities, these participations are calculated based on the direct, indirect and synthetic holdings in the relevant entities.

According to Art. 46 para 1 (a) CRR, holdings in non-significant investments have to be deducted only if the total amount for such investments, including additional tier 1 items according to Art. 56 (c) and 59 CRR and tier 2 items according to Art. 66 (c) and 70 CRR, exceeds a defined threshold of 10% in relation to CET1 of the reporting institution. The deduction shall be applied to the amount that exceeds the 10% threshold. Amounts that are equal to or less than 10% of the CET1 of the reporting institution are considered with the applicable risk weights according part 3, title II, chapter 2 respectively chapter 3 and if necessary according to the requirements of part 3, title IV within the Risk Weighted Assets (RWAs) based on the requirements according to Art. 46 para 4 CRR.

For the deduction of significant investments in the CET1 of financial sector entities, a threshold is defined in Art. 48 para 2 CRR. According to Art. 48 para 2 CRR, significant investments in the CET1 of financial sector entities have to be deducted only if they exceed 10% of the CET1 of the reporting institution. If the 10% threshold is exceeded, the deduction is limited to the amount by which the defined threshold is exceeded. The remaining amount has to be considered within the calculation of the RWAs. The risk weight (RW) is defined at 250% according to Art. 48 para 4 CRR.

In addition to the aforementioned threshold, a combined threshold for the deduction of significant investments according to Art. 36 para 1 (i) CRR and for deferred tax assets that rely on future profitability and arise from temporary differences according to Art. 36 para 1 (c) CRR as well as according to Art. 38 CRR is defined in Art. 48 para 2 CRR. The combined threshold according to Art. 48 para 2 CRR is defined at 17.65% of the CET1 of the reporting institution. If the threshold is exceeded, the exceeding amount has to be deducted from the CET1 of the reporting institution. The remaining amount has to be considered within the RWAs. A 250% RW shall be applied for the amount not exceeding the 17.65% threshold according to Art. 48 para 4 CRR.

Beside the 17.65% combined threshold, a 10% threshold related to the CET1 capital of the reporting institution is applied for deferred tax assets that rely on future profitability and arise from temporary differences according to Art. 48 para 3 CRR. In case the amount for deferred tax assets that rely on future profitability and which arise from temporary differences exceeds the threshold of 10% of CET1 of the reporting institution the exceeding amount has to be deducted from the CET1 of the reporting institution. The amount that is equal to or less than the threshold as defined in Art. 48 para 3 CRR has to be considered within the calculation of RWAs with a 250% RW according to Art. 48 para 4 CRR.

At the reporting date, Erste Group did not exceed any of the aforementioned thresholds. Hence, direct, indirect and synthetic investments in financial sector entities were not deducted from the consolidated own funds of Erste Group and therefore are considered in RWAs.

Outline of the differences in the scopes of consolidation by entity level – EU LI3- (EU) 2021/637

LI3 Description of the differences in the scope of the consolidation at the level of each entity based on Guidelines on disclosure requirements under Part Eight of the Regulation (EU) No 575/2013 is available at the Erste Group's website under https://www.erstegroup.com/en/investors/reports/regulatory-reports.

Differences in scope of consolidation and mapping with regulatory risk categories – Assets

				Carrying amounts of the items				
in EUR million	IFRS	Effects - scope of consolidation	CRR	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Cash and cash balances	**35,684.8**	**-25.6**	**35,659.2**	**18,883.0**	**527.1**	**0.0**	**16,453.7**	**0.0**
Cash on hand	3,796.4	0.0	3,796.4	3,796.4	0.0	0.0	0.0	0.0
Cash balances at central banks	31,166.7	0.0	31,166.7	14,917.3	8.7	0.0	16,249.4	0.0
Other demand deposits at credit institutions	721.7	-25.6	696.2	169.4	518.4	0.0	204.3	0.0
Financial assets held for trading	**7,765.6**	**-6.9**	**7,758.6**	**0.0**	**1,718.7**	**0.0**	**7,752.0**	**56.8**
Derivatives	1,718.7	0.0	1,718.7	0.0	1,718.7	0.0	1,712.1	33.9
Other financial assets held for trading	6,046.9	-6.9	6,039.9	0.0	0.0	0.0	6,039.9	22.9
Pledged as collateral	94.4	0.0	94.4					
Non-trading financial assets at fair value through profit or loss	**2,735.3**	**-235.7**	**2,499.6**	**2,497.7**	**0.0**	**1.9**	**0.0**	**4.3**
Pledged as collateral	0.0	0.0	0.0					
Equity instruments	346.6	767.8	1,114.4	1,114.4	0.0	0.0	0.0	3.3
Debt securities	1,549.3	-1,002.7	546.6	544.7	0.0	1.9	0.0	0.5
Loans and advances to banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Loans and advances to customers	839.3	-0.8	838.5	838.5	0.0	0.0	0.0	0.0
Financial assets at fair value through other comprehensive income	**9,559.5**	**0.6**	**9,560.1**	**9,560.1**	**0.0**	**0.0**	**0.0**	**28.0**
Pledged as collateral	698.5	0.0	698.5					
Equity investments	99.2	0.6	99.8	99.8	0.0	0.0	0.0	5.6
Debt securities	9,460.4	0.0	9,460.4	9,460.4	0.0	0.0	0.0	22.4
Financial assets at amortised cost	**253,360.0**	**230.6**	**253,590.6**	**236,748.5**	**15,131.1**	**1,153.5**	**3,564.8**	**31.0**
Pledged as collateral	1,760.9	0.0	1,760.9					
Debt securities	40,611.7	0.0	40,611.7	40,611.7	0.0	0.0	0.0	0.0
Loans and advances to banks	18,435.5	-3.6	18,431.8	3,047.3	14,929.9	0.0	3,461.9	0.0
Loans and advances to customers	194,312.8	234.2	194,547.0	193,089.5	201.2	1,153.5	102.9	31.0
Finance lease receivables	**4,552.9**	**10.6**	**4,563.5**	**4,563.5**	**0.0**	**0.0**	**0.0**	**0.0**
Hedge accounting derivatives	**158.7**	**0.0**	**158.7**	**0.0**	**158.7**	**0.0**	**5.3**	**0.0**
Fair value changes of the hedged items in portfolio hedge	**-37.8**	**0.0**	**-37.8**	**0.0**	**-37.8**	**0.0**	**0.0**	**0.0**
Property and equipment	**2,618.0**	**-144.9**	**2,473.1**	**2,473.1**	**0.0**	**0.0**	**0.0**	**0.0**
Investment property	**1,372.2**	**-124.2**	**1,247.9**	**1,247.9**	**0.0**	**0.0**	**0.0**	**0.0**
Intangible assets	**1,347.1**	**-5.9**	**1,341.2**	**399.2**	**0.0**	**0.0**	**0.0**	**942.0**
Investments in joint ventures and associates	**208.6**	**381.9**	**590.5**	**590.5**	**0.0**	**0.0**	**0.0**	**0.0**
Current tax assets	**108.9**	**-0.8**	**108.2**	**108.2**	**0.0**	**0.0**	**0.0**	**0.0**
Deferred tax assets	**628.7**	**-6.0**	**622.7**	**403.3**	**0.0**	**0.0**	**0.0**	**219.4**
thereof DTA from accumulated tax loss carried forward after recoverability considerations	219.4	0.0	219.4	0.0	0.0	0.0	0.0	219.4
Assets held for sale	**167.2**	**-2.7**	**164.5**	**164.5**	**0.0**	**0.0**	**0.0**	**0.0**
Trade and other receivables	**2,403.7**	**-4.9**	**2,398.8**	**2,398.8**	**0.0**	**0.0**	**0.0**	**0.0**
Other assets	**1,231.6**	**-83.8**	**1,147.7**	**1,147.7**	**0.0**	**0.0**	**0.0**	**0.0**
Total assets	**323,865.0**	**-17.7**	**323,847.2**	**281,186.1**	**17,497.7**	**1,155.4**	**27,775.8**	**1,281.6**

Table 4: Differences between accounting and regulatory scope of consolidation of assets and mapping with regulatory risk categories (EU LI1 (EU) 2021/637)

Differences in scope of consolidation and mapping with regulatory risk categories – Liabilities

				Carrying amounts of the items				
in EUR million	IFRS	Effects - scope of consolidation	CRR	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Financial liabilities held for trading	**3,263.7**	**0.1**	**3,263.8**	**0.0**	**2,626.6**	**0.0**	**2,534.0**	**0.0**
Derivatives	2,626.5	0.1	2,626.6	0.0	2,626.6	0.0	1,896.8	0.0
Other financial liabilities	637.2	0.0	637.2	0.0	0.0	0.0	637.2	0.0
Financial liabilities designated at fair value through profit or loss	**10,814.5**	**-150.7**	**10,663.7**	**0.0**	**0.0**	**0.0**	**0.0**	**10,668.1**
Deposits from customers	1,352.8	0.0	1,352.8	0.0	0.0	0.0	0.0	1,352.8
Debt securities in issue	9,310.4	0.5	9,310.9	0.0	0.0	0.0	0.0	9,315.3
therof subordinated	1,991.4	0.5	1,991.9	0.0	0.0	0.0	0.0	1,991.9
Other financial liabilities	151.2	-151.2	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities measured at amortised cost	**278,932.5**	**281.2**	**279,213.6**	**0.0**	**826.3**	**0.0**	**317.0**	**278,387.3**
Deposits from banks	28,820.8	89.2	28,910.0	0.0	804.1	0.0	317.0	28,105.9
Deposits from customers	222,619.7	195.5	222,815.2	0.0	22.2	0.0	0.0	222,793.0
Debt securities in issue	26,593.4	0.1	26,593.5	0.0	0.0	0.0	0.0	26,593.5
therof subordinated	4,662.0	0.7	4,662.7	0.0	0.0	0.0	0.0	4,662.7
Other financial liabilities	898.5	-3.6	894.9	0.0	0.0	0.0	0.0	894.9
Lease liabilities	**662.1**	**6.4**	**668.5**	**0.0**	**0.0**	**0.0**	**0.0**	**668.5**
Hedge accounting derivatives	**372.5**	**0.0**	**372.5**	**0.0**	**394.5**	**0.0**	**0.6**	**-22.0**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Provisions	**1,676.0**	**-10.7**	**1,665.3**	**0.0**	**0.0**	**0.0**	**0.0**	**1,665.3**
Current tax liabilities	**127.3**	**-4.6**	**122.7**	**0.0**	**0.0**	**0.0**	**0.0**	**122.7**
Deferred tax liabilities	**15.6**	**-12.6**	**2.9**	**0.0**	**0.0**	**0.0**	**0.0**	**2.9**
Liabilities associated with assets held for sale	**114.9**	**0.0**	**114.9**	**0.0**	**0.0**	**0.0**	**0.0**	**114.9**
Other liabilities	**2,581.3**	**-97.0**	**2,484.4**	**0.0**	**0.0**	**0.0**	**0.0**	**2,484.4**
Total equity	**25,304.7**	**-29.7**	**25,275.0**	**0.0**	**0.0**	**0.0**	**0.0**	**25,275.0**
Equity attributable to non-controlling interests	5,957.1	-61.0	5,896.1	0.0	0.0	0.0	0.0	5,896.1
Additional equity instruments	2,236.2	0.0	2,236.2	0.0	0.0	0.0	0.0	2,236.2
Equity attributable to owners of the parent	17,111.4	31.3	17,142.7	0.0	0.0	0.0	0.0	17,142.7
Subscribed capital	859.6	0.0	859.6	0.0	0.0	0.0	0.0	859.6
Additional paid-in capital	1,477.7	0.0	1,477.7	0.0	0.0	0.0	0.0	1,477.7
Retained earnings and other reserves	14,774.1	31.3	14,805.4	0.0	0.0	0.0	0.0	14,805.4
Total liabilities and equity	**323,865.0**	**-17.7**	**323,847.2**	**0.0**	**3,847.4**	**0.0**	**2,851.7**	**319,252.2**

Table 5: Differences between accounting and regulatory scope of consolidation of assets and mapping with regulatory risk categories (EU LI1 (EU) 2021/637)

Break down of carrying amounts refer to the risk frameworks under which capital requirement is calculated in accordance with Part Three of the CRR. Overlapping between risk frameworks exist for trading book derivatives and repo transactions, as they are part of both counterparty credit risk and market risk framework. Another overlap exists between deduction and securitisation framework for the part of securitisation exposure with risk weight of 1250% (as explained in more detail in securitisation part of this report). Therefore, the sum of different frameworks is not equal to the total carrying values presented under CRR scope of consolidation. In the last column, on-balance positions deducted from own funds in accordance with Part Two of the CRR are presented. As a part of deductions, additional value adjustments in accordance with Article 34 of the CRR are included for the assets measured at FV.

The aim of table below is to provide information on the main sources of difference between the financial statements carrying amounts and exposure values used for regulatory purposes by relevant risk frameworks.

in EUR million	Total	Items subject to			
		Credit risk framework	Securitisation framework	CCR framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)	**323,847.2**	**281,186.1**	**1,155.4**	**17,497.7**	**27,775.8**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)	**323,847.2**	**3,847.4**	**-**	**2,851.7**	**319,252.2**
Total net amount under the regulatory scope of consolidation	**323,847.2**	**281,186.1**	**1,155.4**	**17,497.7**	**27,775.8**
Off-balance-sheet amounts	63,840.9	63,840.9	-	-	
Differences in valuations	-	-	-	-	
Differences due to different netting rules, other than those already included in row 2	-780.3	-	-	-780.3	
Differences due to consideration of provisions	2,905.3	2,905.3	-	-	
Differences due to the use of credit risk mitigation techniques (CRMs)	4,075.4	-793.7	-	4,869.1	
Differences due to credit conversion factors	-36,038.9	-36,038.9	-	-	
Differences due to Securitisation with risk transfer	-78.5	-	-78.5	-	
Other differences	1,107.6	1,034.5	11.9	61.1	
Exposure amounts considered for regulatory purposes	**362,646.5**	**312,134.2**	**1,088.8**	**21,647.7**	**27,775.8**

Table 6: Main sources of differences between regulatory exposure amount and carrying value amount in financial statements (EU LI2 (EU) 2021/637)

Assets carrying value amount represents total assets of the bank under the regulatory scope of consolidation, while in respective columns portion related to relevant risk frameworks is presented. Exposures subject to market risk include only positions booked in the trading book (see table 5), hence are not included in the framework split of the table above, but only in the column Total. On-balance items subject to deductions which are not considered in regulatory exposure, are as well excluded from the framework split of the table above, but are presented only within the column Total.

Off-balance sheet amount represents the nominal value of the off-balance items under the regulatory scope of consolidation. Effect of CCF to off-balance is shown separately in the row Differences due to conversion factors, within credit risk framework.

Differences in valuation are dedicated row for amount of AVA considered in regulatory exposure. Since Erste Group doesn't consider the amount of AVA in it's regulatory exposure, the row is for the time being equal to zero.

Differences due to netting rules different then accounting netting refer to the effect of regulatory exposure calculation for derivatives under SA-CCR method.

Differences due to consideration of provisions represent the net effect of total provisions considered in gross carrying amount at the starting point of regulatory exposure calculation, netted by provisions considered as decrease of EAD in Standardized Approach.

Differences due to use of credit risk mitigation techniques within credit risk framework represent net CRM effects considered in EAD, where the overall effect is majorily driven by exposure adjustments for financial collaterals under comprehensive method. The effects of CRM techniques within the counterparty credit risk framework represent net effect of collaterals used in exposure calculation for asset SFTs, as well as regulatory exposure driven by given collaterals for liability SFTs.

Differences in securitization with risk transfer are guaranteed mezzanine tranches placed with the investors, excluded from EAD of both SLSP and CS originated securitization.

Other differences within credit risk framework are mainly consisted of different calculation methodology for leasing products, CIUs, and other.
Other differences in securitization framework refer to solely synthetic excess spread amount for both SLSP and CSAS originated securitization.

Impediments to the transfer of own funds

DISCLOSURE REQUIREMENT Art. 436 (f) CRR

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

Total capital shortfall of all subsidiaries not included in the consolidation

DISCLOSURE REQUIREMENT Art. 436(g) CRR

Art 436 (g) CRR is not applicable as Erste Group has no subsidiaries with minimum capital standards not included in the scope of consolidation.

KEY METRICS

DISCLOSURE REQUIREMENT Art. 447 (a) to (g) and 438 (b) CRR

in EUR million or in %	Dec 22	Sep 22	Jun 22	Mar 22	Dec 21
Available own funds (amounts)					
Common Equity Tier 1 (CET1) capital	20,442.8	19,428.1	19,604.5	18,564.2	18,803.6
Tier 1 capital	22,683.9	21,669.7	21,846.1	20,805.7	21,045.0
Total capital	26,184.1	25,250.3	25,628.5	24,313.6	24,808.3
Risk-weighted exposure amounts					
Total risk-weighted exposure amount	141,792.5	138,623.1	135,653.6	133,220.0	127,447.7
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio (%)	14.4%	14.0%	14.5%	13.9%	14.8%
Tier 1 ratio (%)	16.0%	15.6%	16.1%	15.6%	16.5%
Total capital ratio (%)	18.5%	18.2%	18.9%	18.3%	19.5%
Additional own funds requirements to address risks other than the risk of excessive leverage(as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.8%	1.8%	1.8%	1.8%	1.8%
of which: to be made up of CET1 capital (percentage points)	1.0%	1.0%	1.0%	1.0%	1.0%
of which: to be made up of Tier 1 capital (percentage points)	1.3%	1.3%	1.3%	1.3%	1.3%
Total SREP own funds requirements (%)	9.8%	9.8%	9.8%	9.8%	9.8%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Institution specific countercyclical capital buffer (%)	0.4%	0.3%	0.2%	0.2%	0.2%
Systemic risk buffer (%)	1.0%	1.0%	1.0%	1.0%	1.0%
Global Systemically Important Institution buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Other Systemically Important Institution buffer	1.0%	1.0%	1.0%	1.0%	1.0%
Combined buffer requirement (%)	4.9%	4.8%	4.7%	4.7%	4.7%
Overall capital requirements (%)	14.7%	14.5%	14.4%	14.4%	14.4%
CET1 available after meeting the total SREP own funds requirements (%)	8.7%	8.3%	8.8%	8.3%	9.2%
Leverage ratio					
Total exposure measure	342,292.2	353,377.3	345,780.7	343,962.9	324,210.0
Leverage ratio (%)	6.6%	6.1%	6.3%	6.0%	6.5%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)					
Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	0.0%	0.0%
of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%	0.0%	0.0%	0.0%
Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Overall leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA) (Weighted value - average)	96,494.1	92,624.6	90,821.5	88,496.9	83,672.9
Cash outflows - Total weighted value	99,164.7	90,096.8	81,382.4	72,328.1	61,638.6
Cash inflows - Total weighted value	30,155.8	27,766.3	23,211.0	18,124.4	11,610.2
Total net cash outflows (adjusted value)	69,008.9	62,330.5	58,171.3	54,203.7	50,028.3
Liquidity coverage ratio (%)	141.8%	150.7%	158.1%	165.4%	168.6%
Net Stable Funding Ratio					
Total available stable funding	251,738.0	256,620.7	255,294.8	258,091.6	251,545.5
Total required stable funding	181,003.2	180,716.2	177,028.3	173,895.7	167,515.4
NSFR ratio (%)	139.1%	142.0%	144.2%	148.4%	150.2%

Table 7: Key metrics template (Art. 447 (a) to (g) and 438 (b) CRR Table EU KM1 (EU) 2021/637)

Own Funds

DISCLOSURE REQUIREMENT Art. 437 CRR

Own funds reconciliation

For the disclosure of own funds, Erste Group follows the requirements according to Art. 437 CRR as well as the requirements defined in the ITS (EU) No 2021/637.

Based on the requirements defined in the CRR and ITS, the following information must be provided:

- A full reconciliation of CET1 items - additional tier 1 (AT1) items, tier 2 (T2) items, filters and deductions applied to own funds of the institution pursuant to Art. 32 to 36, 56, 66 and 79 CRR with the balance sheet in the audited financial statements of the institution. . In accordance with Art. 437 (a) CRR the ITS requires to publish the EU CC2 template.
- a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;
- the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments;
- a separate disclosure of the nature and amounts of (disclosure template EU CC1 as defined in the ITS):
  - each prudential filter applied pursuant to Art. 32 to 35 CRR
  - each deduction according to Art. 36, 56 and 66 CRR
  - items not deducted in accordance with Art. 47, 48, 56, 66 and 79 CRR

The tables may contain rounding differences.

in EUR million	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	Dec 22	Dec 22	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
Cash and cash balances	**35,684.8**	**35,659.2**	
Cash on hand	3,796.4	3,796.4	
Cash balances at central banks	31,166.7	31,166.7	
Other demand deposits at credit institutions	721.7	696.2	
Financial assets held for trading	**7,765.6**	**7,758.6**	
Derivatives	1,718.7	1,718.7	
Other financial assets held for trading	6,046.9	6,039.9	
Pledged as collateral	94.4	94.4	
Non-trading financial assets at fair value through profit or loss	**2,735.3**	**2,499.6**	
Equity instruments	346.6	1,114.4	
Debt securities	1,549.3	546.6	
Loans and advances to customers	839.3	838.5	
Financial assets at fair value through other comprehensive income	9,559.5	9,560.1	
Pledged as collateral	**698.5**	**698.5**	
Equity instruments	99.2	99.8	
Debt securities	9,460.4	9,460.4	
Financial assets at amortised cost	253,360.0	253,590.6	
Pledged as collateral	**1,760.9**	**1,760.9**	
Debt securities	40,611.7	40,611.7	
Loans and advances to banks	18,435.5	18,431.8	
Loans and advances to customers	194,312.8	194,547.0	
Finance lease receivables	4,552.9	4,563.5	
Hedge accounting derivatives	**158.7**	**158.7**	
Fair value changes of the hedged items in portfolio hedge	**-37.8**	**-37.8**	
Property and equipment	**2,618.0**	**2,473.1**	
Investment properties	**1,372.2**	**1,247.9**	
Intangible assets	**1,347.1**	**1,341.2**	**e**
Investments in associates and joint ventures	**208.6**	**590.5**	
Current tax assets	**108.9**	**108.2**	
Deferred tax assets	**628.7**	**622.7**	
thereof DTA from accumulated tax loss carried forward after recoverability considerations	**219.4**	**219.4**	**f**
Assets held for sale	167.2	164.5	
Trade and other receivables	**2,403.7**	**2,398.8**	
Other assets	**1,231.6**	**1,147.7**	
Total assets	**323,865.0**	**323,847.2**	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
Financial liabilities held for trading	**3,263.7**	**3,263.8**	
Derivatives	**2,626.5**	**2,626.6**	
Other financial liabilities held for trading	637.2	637.2	
Financial liabilities at fair value through profit or loss	10,814.5	10,663.7	
Deposits from customers	**1,352.8**	**1,352.8**	
Debt securities issued	9,310.4	9,310.9	
therof subordinated	1,991.4	1,991.9	k*)
Other financial liabilities	151.2	0.0	
Financial liabilities at amortised cost	278,932.5	279,213.6	
Deposits from banks	**28,820.8**	**28,910.0**	
Deposits from customers	222,619.7	222,815.2	
Debt securities issued	26,593.4	26,593.5	
therof subordinated	4,662.0	4,662.7	k**)
Other financial liabilities	898.5	894.9	
Lease liabilities	662.1	668.5	
Hedge accounting derivatives	**372.5**	**372.5**	
Provisions	**1,676.0**	**1,665.3**	
Current tax liabilities	**127.3**	**122.7**	
Deferred tax liabilities	**15.6**	**2.9**	
Liabilities associated with assets held for sale	**114.9**	**114.9**	
Other liabilities	**2,581.3**	**2,484.4**	
Total liabilities	**298,560.2**	**298,572.2**	

in EUR million	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	Dec 22	Dec 22	
Shareholders' Equity			
Equity attributable to non-controlling interests	5,957.1	5,896.1	d, j
Additional equity instruments	2,236.2	2,236.2	i
Equity attributable to owners of the parent	17,111.4	17,142.7	
Subscribed capital	859.6	859.6	a
Additional paid-in capital	1,477.7	1,477.7	a
Retained earnings and other reserves	14,774.1	14,805.4	
Retained earnings	16,323.7	16,363.4	b
Other reserves	-1,549.6	-1,557.9	c
thereof cash flow hedge reserve	-196.6	-196.6	g
thereof own credit risk reserve	-23.9	-24.0	h
Total shareholders' equity	**25,304.7**	**25,275.0**	
Total liabilities and equity	**323,865.0**	**323,847.2**	

*) details in note 25 of the Annual Report

**) details in the note 18 of the Annual Report: it includes subordinated debt securities issued, senior non-preferred bonds and EUR 50mn classified as Deposits

Table 8: Reconciliation of regulatory own funds to balance sheet in the audited financial statements (Art. 437 (a) CRR Table EU CC2 (EU) 2021/637)

Own funds templates

On the website of Erste Group https://www.erstegroup.com/en/investors/reports/regulatory-reports, all capital instruments that are eligible at Erste Group consolidated level are listed in a separate document based on the template published in the Official Journal of the EU No. 2021/637 on 21 April 2021 (Art. 437 (b) CRR). Furthermore, the full terms and conditions of the capital instruments (Art. 437 para 1 (c) CRR) are available on Erste Group's website or on the website of each of the issuing credit institutions, respectively.

Disclosure requirements: Art. 437 (d) and (e) CRR

The tables below present the composition of the regulatory capital based on the Implementing Technical Standards (EU) No 2021/637 (EU CC1) on the disclosure of own funds.

in EUR mn	Amounts	Source based on reference letters of the balance sheet under the regulatory scope of consolidation (EU CC2)
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	2,336.8	a
of which: ordinary shares	2,336.8	a
Retained earnings	13,252.0	b
Accumulated other comprehensive income (and other reserves)	-899.4	c
Funds for general banking risk	0.0	
Amount of qualifying items referred to in Article 484 -3 and the related share premium accounts subject to phase out from CET1	0.0	
Minority interests (amount allowed in consolidated CET1)	5,866.2	d
Independently reviewed interim profits net of any foreseeable charge or dividend	1,252.4	b
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**21,808.0**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments (negative amount)	-104.2	
Intangible assets (net of related tax liability) (negative amount)	-942.0	e
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 -3 are met) (negative amount)	-219.4	f
Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	196.6	g
Negative amounts resulting from the calculation of expected loss amounts	0.0	
Any increase in equity that results from securitised assets (negative amount)	0.0	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	23.1	h
Defined-benefit pension fund assets (negative amount)	0.0	
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-86.8	
Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-31.0	
of which: qualifying holdings outside the financial sector (negative amount)	0.0	
of which: securitisation positions (negative amount)	-31.0	
of which: free deliveries (negative amount)	0.0	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 -3 are met) (negative amount)	0.0	
Amount exceeding the 17.65% threshold (negative amount)	0.0	
of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0.0	
of which: deferred tax assets arising from temporary differences	0.0	
Losses for the current financial year (negative amount)	0.0	
Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0.0	
Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0.0	
Other regulatory adjusments	-201.4	
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-1,365.2**	
Common Equity Tier 1 (CET1) capital	**20,442.8**	
Additional Tier 1 (AT1) capital: instruments		
Capital instruments and the related share premium accounts	2,236.2	i
of which: classified as equity under applicable accounting standards	2,242.5	
of which: classified as liabilities under applicable accounting standards	0.0	
Amount of qualifying items referred to in Article 484 -4 and the related share premium accounts subject to phase out from AT1 as described in Article 486-3 of CRR	0.0	
Amount of qualifying items referred to in Article 494a-1 subject to phase out from AT1	0.0	
Amount of qualifying items referred to in Article 494b-1 subject to phase out from AT1	0.0	
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	6.4	j
of which: instruments issued by subsidiaries subject to phase out	0.0	
Additional Tier 1 (AT1) capital before regulatory adjustments	**2,242.5**	
Additional Tier 1 (AT1) capital: regulatory adjustments		
Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-1.4	
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	

in EUR mn	Amounts	Source based on reference letters of the balance sheet under the regulatory scope of consolidation (EU CC2)
Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.0	
Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0.0	
Other regulatory adjusments to AT1 capital	0.0	
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-1.4**	
Additional Tier 1 (AT1) capital	**2,241.1**	
Tier 1 capital (T1 = CET1 + AT1)	**22,683.9**	
Tier 2 (T2) capital: instruments and provisions		
Capital instruments and the related share premium accounts	2,781.6	k
Amount of qualifying items referred to in Article 484 -5 and the related share premium accounts subject to phase out from T2	0.0	
Amount of qualifying items referred to in Article 494a -2 subject to phase out from T2	0.0	
Amount of qualifying items referred to in Article 494b -2 subject to phase out from T2	0.0	
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	195.2	k
of which: instruments issued by subsidiaries subject to phase out	0.0	
Credit risk adjustments	574.7	
Tier 2 (T2) capital before regulatory adjustments	**3,551.5**	
Tier 2 (T2) capital: regulatory adjustments		
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-51.3	
Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0.0	
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0.0	
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0.0	
Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0.0	
Other regulatory adjusments to T2 capital	0.0	
Total regulatory adjustments to Tier 2 (T2) capital	**-51.3**	
Tier 2 (T2) capital	**3,500.2**	
Total capital (TC = T1 + T2)	**26,184.1**	
Total risk weighted assets	**141,792.5**	
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of total risk exposure amount)	14.4%	
Tier 1 (as a percentage of total risk exposure amount)	16.0%	
Total capital (as a percentage of total risk exposure amount)	18.5%	
Institution CET1 overall capital requirement (CET1 requirement in accordance with article 92 (1) of Regulation (EU) No 575/2013, plus additional CET1 requirement which the institution is required to hold in accordance with Article 104(1)(a) of Directive 2013/36/EU, plus combined buffer requirement in accordance with Article 128(6) of Directive 2013/36/EU) expressed as a percentage of risk exposure amount)	10.4%	
of which: capital conservation buffer requirement	2.5%	
of which: countercyclical buffer requirement	0.4%	
of which: systemic risk buffer requirement	1.0%	
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.0%	
of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.0%	
Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	**8.7%**	
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	296.8	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	279.0	
Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 -3 are met)	482.0	
Applicable caps on the inclusion of provisions in Tier 2		

in EUR mn	Amounts	Source based on reference letters of the balance sheet under the regulatory scope of consolidation (EU CC2)
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0.0	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	261.8	
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	661.2	
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	574.7	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
Current cap on CET1 instruments subject to phase out arrangements	0%	
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0.0	
Current cap on AT1 instruments subject to phase out arrangements	0%	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0.0	
Current cap on T2 instruments subject to phase out arrangements	0%	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0.0	

Table 9: Regulatory capital based on the Implementing Technical Standards (EU) No 2021/637 and Art. 437 (d), (e) CRR (EU CC1)

Additional information about own funds positions:

b Retained earnings: for regulatory reporting the planned dividend is deducted and only the approved ECB profit considered; different disclosure of other reserve (other than OCI) between the balance sheet and regulatory reporting

c Accumulated other comprehensive income (OCI): OCI of minorities included; different disclosure of other reserve (other than OCI) between the balance sheet and regulatory reporting

d Minority interest: consideration of approved ECB profit; no consideration of the minority profit which was not approved by ECB and the non-eligible minorities; OCI of minority interest considered in accumulated other comprehensive income (No. 3)

e Intangible assets after deduction of DTL's associated to other intangible assets and after prudent amortisation

h Own credit risk reserve: includes owner part as well as minority interest part

j AT1 of minorities is fully reflected in the balance sheet position "equity attributable to non-controlling interest"

k T2 instruments: eligible T2 instruments are subject to phase out

Reference letters based on positions of the balance sheet under regulatory scope of consolidation (EU CC2).

Erste Group does not consider Art. 437 (h) CRR for the calculation of consolidated own funds.

Own funds requirements and risk-weighted exposure amounts

DISCLOSURE REQUIREMENTS Art. 438 CRR

Based on the business activities of Erste Group, capital requirements are derived for the Pillar 1 risk types credit risk, market risk and operational risk. The capital requirements were complied with at all times during the reporting period.

in EUR million	Risk weighted exposure amounts (RWEAs) Dec 22	Risk weighted exposure amounts (RWEAs) Sep 22	Total own funds requirements Dec 22
Credit risk (excluding CCR)	**118,238.4**	**116,354.7**	**9,459.1**
Of which the standardised approach	20,836.7	20,144.9	1,666.9
Of which the foundation IRB (F-IRB) approach	52,343.9	50,121.7	4,187.5
Of which: slotting approach	18,327.9	19,300.8	1,466.2
Of which: equities under the simple riskweighted approach	1,129.3	1,135.7	90.3
Of which the advanced IRB (A-IRB) approach	21,327.3	21,373.2	1,706.2
Counterparty credit risk - CCR	**1,524.8**	**1,650.7**	**122.0**
Of which the standardised approach	891.5	999.4	71.3
Of which internal model method (IMM)	0.0	0.0	0.0
Of which exposures to a CCP	7.4	8.0	0.6
Of which credit valuation adjustment - CVA	418.4	444.2	33.5
Of which other CCR	207.5	199.1	16.6
Settlement risk	**11.1**	**70.7**	**0.9**
Securitisation exposures in the non-trading book (after the cap)	**159.6**	**164.2**	**12.8**
Of which SEC-IRBA approach	158.4	162.6	12.7
Of which SEC-ERBA (including IAA)	1.2	1.6	0.1
Of which SEC-SA approach	0.0	0.0	0.0
Of which 1250%	0.0	0.0	0.0
Position, foreign exchange and commodities risks (Market risk)	**7,027.3**	**5,816.2**	**562.2**
Of which the standardised approach	3,863.1	3,791.2	309.0
Of which IMA	3,164.2	2,025.0	253.1
Large exposures	**0.0**	**0.0**	**0.0**
Operational risk	**14,831.4**	**14,566.6**	**1,186.5**
Of which basic indicator approach	4,211.4	4,005.1	336.9
Of which standardised approach	0.0	0.0	0.0
Of which advanced measurement approach	10,619.9	10,561.5	849.6
Amounts below the thresholds for deduction (subject to 250% risk weight) (for information)	**1,902.4**	**1,780.4**	**152.2**
Total	**141,792.5**	**138,623.1**	**11,343.4**

Table 10: Overview of risk weighted exposure amounts (CRR Art. 438 (d) Template EU OV1 (EU) 2021/637)

Position amounts below the threshold for deduction (subject to credit risk 250% risk weight) is shown as a separate figure, although it represents part of capital requirement under credit risk. Main contributions to these values are significant investments according to CRR Art. 36 (1) (i) and deferred tax assets that rely on future profitability according to CRR Art. 36 (1) (c) which both are not deducted from CET1 due to threshold according to CRR Art. 48 (1).

ADDITIONAL DISCLOSURE OF SPECIALISED LENDING AND EQUITY UNDER THE SIMPLE RISK-WEIGHT

in EUR million

Specialised lending : Project finance (Slotting approach)

Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Category 1	Less than 2.5 years	2.8	5.9	50%	5.7	2.3	-
	Equal to or more than 2.5 years	660.0	66.6	70%	709.2	456.8	2.8
Category 2	Less than 2.5 years	51.5	114.7	70%	133.8	83.8	0.5
	Equal to or more than 2.5 years	973.6	301.4	90%	1,192.9	957.5	9.5
Category 3	Less than 2.5 years	6.0	2.3	115%	6.8	6.3	0.2
	Equal to or more than 2.5 years	56.0	20.9	115%	71.6	65.8	2.0
Category 4	Less than 2.5 years	1.2	0.0	250%	1.2	2.4	0.1
	Equal to or more than 2.5 years	15.2	0.3	250%	15.4	30.6	1.2
Category 5	Less than 2.5 years	0.8	0.0	-	0.8	-	0.4
	Equal to or more than 2.5 years	7.9	0.0	-	7.9	-	4.0
Total	**Less than 2.5 years**	**62.4**	**123.0**		**148.3**	**94.8**	**1.2**
	Equal to or more than 2.5 years	**1,712.6**	**389.2**		**1,996.9**	**1,510.7**	**19.6**

Specialised lending : Income-producing real estate and high volatility commercial real estate (Slotting approach)

Regulatory categories	Remaining maturity	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Category 1	Less than 2.5 years	1,177.3	253.6	50%	1,362.7	612.8	-
	Equal to or more than 2.5 years	3,512.1	276.0	70%	3,721.3	2,339.8	14.6
Category 2	Less than 2.5 years	4,349.7	1,727.5	70%	5,586.8	3,333.7	22.3
	Equal to or more than 2.5 years	9,088.3	802.8	90%	9,679.8	7,370.8	76.6
Category 3	Less than 2.5 years	554.6	186.5	115%	687.2	673.6	19.2
	Equal to or more than 2.5 years	1,688.6	130.4	115%	1,791.7	1,696.8	50.2
Category 4	Less than 2.5 years	51.6	7.2	250%	56.8	120.6	4.5
	Equal to or more than 2.5 years	281.6	6.7	250%	283.2	574.3	22.7
Category 5	Less than 2.5 years	153.3	3.6	-	154.7	-	77.3
	Equal to or more than 2.5 years	336.7	6.4	-	342.5	-	171.2
Total	**Less than 2.5 years**	**6,286.4**	**2,178.3**		**7,848.2**	**4,740.7**	**123.5**
	Equal to or more than 2.5 years	**14,907.3**	**1,222.3**		**15,818.5**	**11,981.7**	**335.2**

Equity exposures under the simple risk-weighted approach

Categories	On-balancesheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Private equity exposures	16.7	2.2	190%	18.9	35.8	0.2
Exchange-traded equity exposures	36.1	-	290%	36.1	104.6	0.3
Other equity exposures	211.7	55.6	370%	267.3	988.9	6.4
Total	**264.4**	**57.8**		**322.2**	**1,129.3**	**6.9**

Table 11: Specialised lending and equity exposures under the simple riskweighted approach (CRR Ert. 438 (e), EU CR10 (EU) 2021/637)

NON-DEDUCTED PARTICIPATIONS IN INSURANCE UNDERTAKINGS

The table below provides information on not deducted holdings of own funds instruments of an insurance undertaking, a re-insurance undertaking or insurance holding company in which the bank has a significant investment (according to Article 49 (1) CRR).

in EUR million	Exposure value	Risk-weighted exposure amount
Own fund instruments held in insurance or re-insurance undertakings or insurance holding company not deducted from own funds	59.0	147.5

Table 12: Non-deducted participations in insurance undertakings (CRR Art. 438 (f), EU INS1 (EU) 2021/637)

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

DISCLOSURE REQUIREMENTS Art. 438 (a) CRR

The Risk-bearing Capacity Calculation (RCC) is a cornerstone of the Internal Capital Adequacy Assessment Process (ICAAP) as required under Pillar 2 of the Basel III framework. Besides the Pillar 1 risk types (credit risk, market risk in the trading book, FX risk in the banking book and operational risk), interest rate risk in the banking book, credit spread risk in the banking book, risk from repayment vehicles as well as business risk are explicitly considered within the economic capital calculated over a horizon of one year and at a confidence level of 99.92%. For the calculation of the economic capital, Erste Group uses, where possible, more risk sensitive/advanced methodologies tailored to Erste Group's individual risk profile and specificities of the Group's individual risk exposures. Diversification effects between risks (inter-risk diversification) are not considered, reflecting the Group's prudent approach to maintain sufficient internal capital in times when correlations between risks may change dramatically (like in times of stress). The largest portion of economic capital requirements is coming from credit risk, which accounts for 72.3% of total economic capital requirements at the end of 2022.

The calculation of internal capital or coverage potential required to cover Pillar 2 risks/unexpected losses is based on Pillar 1+ approach. Namely, CRR/CRR II (Regulation (EU) No. 575/2013 and Regulation (EU) No. 876/2019 amending Regulation (EU) No. 575/2013) regulatory own funds are adjusted by internal capital components (Pillar 2 adjustments) necessary to come to the internally available capital deemed as risk-bearing and loss absorbing from the economic view (e.g. exclusion of AT1 and Tier 2 capital instruments, Pillar 2 IRB expected loss excess/shortfall add-on, year-to-date profit (if not already considered in Pillar 1 capital), etc.).

The coverage potential must be sufficient to absorb Pillar 2 risks/unexpected losses resulting from the group's operations at any point in time (normal and stressed), as reflected in the Group's Risk Appetite through the limits set for Group economic capital adequacy utilisation and stressed economic capital adequacy utilisation. At the end of 2022, the economic capital adequacy was at 65.9%, fully in line with Group RAS.

The figure below shows the distribution of risk types which make up the economic capital requirement of Erste Group. Other risks encompass business risk.

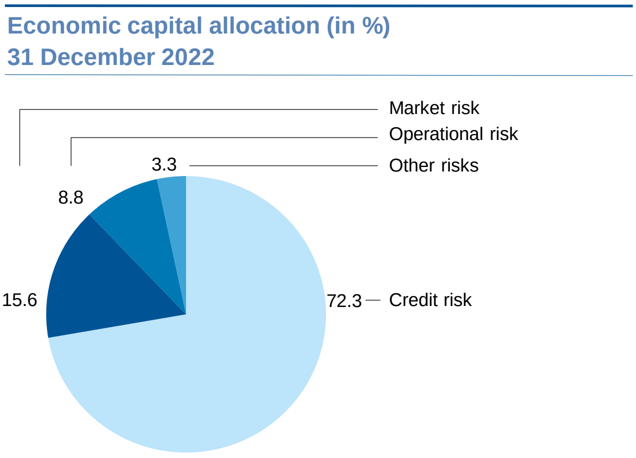

Figure 3: Economic capital composition

Risk bearing capacity calculation

in EUR million	Dec-22
Economic capital requirement	14,234
Coverage potential	21,589
Excess	**7,355**

Table 13: Risk-bearing capacity calculation

RISK STEMMING FROM FOREIGN CURRENCY LOANS AND LOANS WITH REPAYMENT VEHICLE

Pursuant to FMA Minimum Standards for the Risk Management and Granting of Foreign Currency Loans and Loans with Repayment Vehicles (FMA - FXTT-MS), published in June 2017, institutions are obliged to disclose risk arising from foreign currency loans and loans with repayment vehicle.

Funding gap for loans with repayment vehicles is over prescribed threshold for enhanced monitoring and reporting of 20%, therefore Erste Group is providing in the tables below information on the loan portfolio with repayment vehicles on consolidated basis. The share of loans with repayment vehicles in total loan portfolio amounts to 1.2%, while the share of non-performing loans in loans with repayment vehicles amounts to 1,9%. Out of total loans with repayment vehicles, 92.3% are loans booked in Austria. The forecasted interest rate for repayment vehicles has been determined by 1% since September 2017. It is valid for all products without any distinctions. The forecast value is based on the surrender value or the current market value. The remaining time as well as the saving premium are also considered in this calculation.

in EUR million	Loans with repayment vehicle	of which: bullet loans	of which: amortising loans
up to 1 year	105.6	86.0	19.6
from 1 to 5 years	564.0	475.4	88.6
from 5 to 10 years	1,067.3	829.4	237.9
from 10 to 15 years	281.0	182.1	98.9
above 15 years	119.3	41.8	77.6
Total	**2,137.3**	**1,614.7**	**522.6**

Table 14: Breakdown of loans with repayment vehicle by residual maturity and repayment type

in EUR million	Loans with repayment vehicle
Total loans	2,137.3
of which non-performing loans	64.1
Total LLP	41.8
of which LLP on non-performing loans	20.4
carrying amount	2,095.5

Table 15: Asset quality of loans with repayment vehicle

Currency of the loan	Gap
EUR	19.9%
USD	43.5%
CHF	39.3%
Other	33.6%
Total	**24.0%**

Table 16: Funding gap of the loan portfolio with repayment vehicle by currencies

Capital buffers

DISCLOSURE REQUIREMENTS Art. 440 CRR

Erste Group calculates countercyclical buffer requirements at consolidated level in accordance with Title VII, Chapter 4 of Directive 2013/36/EU (CRD IV). A small number of jurisdictions (Hong Kong, Norway, Sweden, Czech Republic, Slovak Republic, Iceland, Bulgaria, Denmark and Luxemburg) applied countercyclical buffer rates of more than 0%, resulting in an overall countercyclical buffer rate for the Group of 0.4128%.

Tables below set out the geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer as well as the institution-specific countercyclical buffer rate for the Group. The disclosure follows templates prescribed by Commission Delegated Regulation (EU) 2021/637with regard to implementing technical standards for the public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013.

The table detailing the distribution of credit exposures has been simplified by listing individually only those countries which either represent core markets for the Group or have communicated countercyclical buffer rates other than zero. Core market countries of Erste Group are Czech Republic, Slovakia, Austria, Croatia, Hungary, Romania and Serbia. All other countries are shown in aggregated country groupings that reflect the geographical segmentation used in other tables in this report.

in EUR million or %	
Total risk exposure amount	141,792.5
Institution specific countercyclical capital buffer rate	0.41%
Institution specific countercyclical capital buffer requirement	**585.3**

Table 17: Amount of institution-specific countercyclical capital buffer (Art. 440 (b) CRR, EU CCyB2 (EU) 2021/637)

	General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
in EUR million	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund req. weights (%)	Countercyclical buffer rate (%)
Austria	3,682.9	109,489.9	118.2	118.9	1.9	113,411.7	3,551.3	9.3	0.1	3,560.7	44,509.0	40.3%	0.0%
Czech Republic	2,231.1	42,538.1	7.9	7.9	365.7	45,150.7	1,666.7	0.9	4.4	1,672.1	20,900.7	18.9%	1.5%
Slovakia	871.8	18,814.2	0.1	0.1	690.2	20,376.3	730.9	0.0	8.3	739.2	9,239.4	8.4%	1.0%
Romania	10,418.6	1,197.2	-	-	-	11,615.8	614.3	-	-	614.3	7,678.3	7.0%	0.5%
Croatia	881.9	7,298.4	4.7	4.7	-	8,189.6	442.9	0.4	-	443.3	5,540.9	5.0%	0.0%
Hungary	378.9	6,633.1	10.4	10.4	-	7,032.7	439.3	0.9	-	440.1	5,501.6	5.0%	0.0%
Germany	360.2	5,471.9	2.9	2.9	-	5,838.0	295.1	0.2	-	295.3	3,691.3	3.3%	0.0%
Serbia	2,305.4	555.0	-	-	-	2,860.4	170.5	-	-	170.5	2,131.3	1.9%	0.0%
United Kingdom	115.0	1,265.9	-	1.2	-	1,382.1	36.6	0.0	-	36.6	457.7	0.4%	1.0%
Luxemburg	54.0	1,106.7	0.4	0.4	-	1,161.5	77.6	0.0	-	77.7	971.0	0.9%	0.5%
France	44.9	586.9	-	4.3	-	636.2	29.6	0.3	-	30.0	374.5	0.3%	0.0%
Sweden	12.5	185.7	8.5	8.5	-	215.2	10.6	0.4	-	11.0	137.6	0.1%	1.0%
Belgium	15.5	121.3	-	-	-	136.8	7.8	-	-	7.8	97.0	0.1%	0.0%
Hong Kong	0.4	43.1	-	-	-	43.5	2.0	-	-	2.0	24.5	0.0%	1.0%
Ireland	20.9	13.6	0.2	0.2	-	34.9	1.9	0.0	-	2.0	24.6	0.0%	0.0%
Norway	5.7	24.9	-	-	-	30.6	1.2	-	-	1.2	15.0	0.0%	2.0%
Bulgaria	2.3	24.1	-	-	-	26.4	1.1	-	-	1.1	13.5	0.0%	1.0%
Denmark	4.9	15.1	-	-	-	20.0	1.0	-	-	1.0	13.0	0.0%	2.0%
Lithuania	1.3	0.1	-	-	-	1.3	0.1	-	-	0.1	1.1	0.0%	0.0%
Iceland	0.2	0.0	-	-	-	0.3	0.0	-	-	0.0	0.2	0.0%	2.0%
Asia	23.1	522.7	-	-	-	545.7	37.2	-	-	37.2	465.0	0.4%	0.0%
Latin America	9.6	168.7	-	-	-	178.3	10.9	-	-	10.9	136.0	0.1%	0.0%
Middle East/Africa	30.0	232.3	-	-	-	262.4	9.2	-	-	9.2	115.0	0.1%	0.0%
SE Europe/CIS	2,757.0	164.2	-	-	-	2,921.2	156.5	-	-	156.5	1,956.5	1.8%	0.0%
Other EU Countries	1,770.4	4,639.2	4.4	8.4	-	6,422.4	337.9	0.4	-	338.3	4,228.4	3.8%	1.0%
Other Industrialised Countries	278.7	3,289.8	3.9	3.9	-	3,576.3	180.9	0.3	-	181.2	2,264.6	2.1%	0.0%
Total	**26,277.1**	**204,402.0**	**161.6**	**171.8**	**1,057.8**	**232,070.2**	**8,812.9**	**13.3**	**12.8**	**8,839.0**	**110,487.8**	**99.9%**	

Table 18: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (CRR Art. 440 (a) CRR, EU CCyB1 (EU) 2021/637

Leverage

Leverage ratio

DISCLOSURE REQUIREMENTS Art. 451 (1) (a) CRR

The leverage ratio represents the relationship between Tier 1 capital and the leverage exposure pursuant to Article 429 CRR, more specifically the Delegated Regulation (EU) 2015/62 with regard to leverage ratio (Delegated Act) of 10 October 2014, which was published in the Official Journal of the European Union on 17 January 2015. Essentially, the leverage exposure represents the sum of unweighted on-balance sheet and off-balance sheet positions considering valuation and risk adjustments as defined in the Delegated Act.

The leverage ratio for Erste Group Bank AG at consolidated level amounted to 6.6%, comfortably above the 3.0% minimum requirement. The Regulation (EU) 2019/876 (Capital Requirements Regulation - CRR2) amending Regulation (EU) No 575/2013, with the application date 28th June 2021, sets the Tier 1 capital-based leverage ratio requirement at 3% for all EU banks as per the EBA's recommendation (Article 92 (d)).The ratio is calculated on period-end values for both leverage exposure and Tier 1 capital, with the Tier 1 capital based on fully-fledged CRR definitions, i.e. not including any transitional provisions.

Leverage exposure breakdown and reconciliation

DISCLOSURE REQUIREMENTS Art. 451 (1) (a) (b) (c) CRR

Erste Group discloses its CRR leverage ratio in accordance with the Commission Implementing Regulation (EU) 2021/637 which specifies implementing technical standards for the disclosure of the leverage ratio.

Reconciliation of the Group's accounting assets and leverage ratio exposures

in EUR million	Applicable amount
Total assets as per published financial statements	323,865.0
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-17.7
(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0.0
(Adjustment for temporary exemption of exposures to central bank (if applicable))	0.0
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with point (i) of Article 429a-1 CRR)	0.0
Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0.0
Adjustment for eligible cash pooling transactions	0.0
Adjustments for derivative financial instruments	1,740.7
Adjustment for securities financing transactions (SFTs)	-5,065.5
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	20,747.8
(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0.0
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a-1 CRR)	0.0
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article 429a-1 CRR)	0.0
Other adjustments	1,022.0
Total exposure measure	**342,292.2**

Table 19: Reconciliation of accounting assets and leverage ratio exposure (CRR Art. 451 (1) (b), EU LR1-LRSum (EU) 2021/637)

in EUR million	CRR leverage ratio exposures	
	Dec 22	Jun 22
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives, SFTs, but including collateral)	306,472.9	301,046.9
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
(General credit risk adjustments to on-balance sheet items)	-	-
(Asset amounts deducted in determining Tier 1 capital)	-1,411.4	-1,341.0
Total on-balance sheet exposures (excluding derivatives and SFTs)	**305,061.5**	**299,705.9**
Derivative exposures		
Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	285.0	505.7
Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,463.4	1,414.7
Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
Exposure determined under Original Exposure Method	-	-
(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	-	-
Adjusted effective notional amount of written credit derivatives	-	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
Total derivatives exposures	1,748.4	1,920.4
Securities financing transaction (SFT) exposures		
Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	20,291.5	31,416.8
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-5,122.6	-8,331.9
Counterparty credit risk exposure for SFT assets	57.1	114.9
Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e-5 and 222 CRR	-	-
Agent transaction exposures	-	-
(Exempted CCP leg of client-cleared SFT exposure)	-	-
Total securities financing transaction exposures	15,226.0	23,199.8
Other off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	64,178.5	63,497.3
(Adjustments for conversion to credit equivalent amounts)	-43,430.7	-42,037.4
(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
Off-balance sheet exposures	20,747.8	21,459.9
Excluded exposures		
(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a-1 CRR)	-	-28.5
(Exposures exempted in accordance with point (j) of Article 429a -1 CRR (on and off balance sheet))	-	-
(-) Excluded exposures of public development banks - Public sector investments	-	-
(Excluded exposures of public development banks (or units) - Promotional loans)	-	-
(Excluded passing-through promotional loan exposures by non-public development banks (or units)	-	-
(Excluded guaranteed parts of exposures arising from export credits)	-	-
(Excluded excess collateral deposited at triparty agents)	-	-
(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a-1 CRR)	-	-
(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a-1 CRR)	-	-
(Reduction of the exposure value of pre-financing or intermediate loans)	-491.5	-476.9
(Total exempted exposures)	-491.5	-505.4
Capital and total exposure measure		
Tier 1 capital	22,683.9	21,846.1
Leverage ratio total exposure measure	342,292.2	345,780.7
Leverage ratio		
Leverage ratio	6.63%	6.32%
Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	6.63%	6.32%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	6.63%	6.32%
Regulatory minimum leverage ratio requirement	3.00%	3.00%
Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
of which: to be made up of CET1 capital	0.00%	0.00%
Applicable leverage buffers	0.00%	0.00%
Overall leverage ratio requirement (%)	3.00%	3.00%
Choice on transitional arrangements and relevant exposures		
Choice on transitional arrangements for the definition of the capital measure		
Disclosure of mean values		

in EUR million	CRR leverage ratio exposures	
	Dec 22	Jun 22
Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	27,741.9	29,379.7
Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	15,168.9	23,084.9
Total exposures measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	354,865.2	352,075.5
Total exposures measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	354,865.2	352,075.5
Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.4%	6.2%
Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	6.4%	6.2%

Table 20: Leverage ratio common disclosure (CRR Art. 451 (1) (b) (c) 451 (2) 451 (3), EU LR2- LRCom (EU) 2021/637)

The following table provides a breakdown of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by exposure class.

in EUR million	CRR leverage ratio exposures
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	305,981.4
Trading book exposures	22,843.8
Banking book exposures, of which:	283,137.6
Covered bonds	2,698.3
Exposures treated as sovereigns	61,876.3
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	4,040.5
Institutions	7,244.7
Secured by mortgages of immovable properties	84,024.8
Retail exposures	31,364.3
Corporates	77,378.9
Exposures in default	2,170.9
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	12,338.9

Table 21: Split-up of on-balance sheet exposures (CRR Art. 451 (1) (b), EU LR3- LRSpl (EU) 2021/637)

Management of the risk of excessive leverage

DISCLOSURE REQUIREMENTS Art. 451 (1) (d) CRR

The focus of Erste Group's business model, in line with its stated strategic objectives, is on retail and corporate lending businesses. Therefore, the Group's leverage exposure is mainly driven by on-balance sheet and off-balance sheet credit-related exposures with limited impact from derivatives and securities financing transactions. As a result, the risk of excessive leverage is mitigated by Erste Group's solid and diversified business model. Since the lending-focused business model results in a relatively high RWA density (defined as RWA/leverage exposure), the risk-based capital requirements (capital requirements expressed as a percentage of total RWA) rather than the leverage ratio currently represent the primary capital constraint for the business activities of Erste Group.

This notwithstanding, the leverage ratio is planned as part of the annual forecasting and budgeting process and also represents a core risk metric included in the Group and local RAS with defined RAS thresholds, which, when breached, triggers management discussions and actions to manage and control excessive leverage. As a RAS metric, the development of the Group and local leverage ratio is regularly monitored by the management board, risk committee of supervisory board and supervisory board (reported in the Group Risk Report (only Group leverage ratio) and Risk Dashboard).

Factors influencing the development of leverage exposure

DISCLOSURE REQUIREMENTS Art. 451 (1) (e) CRR

The leverage ratio increased by 10 basis points to 6.6% compared to year-end 2021, driven by growth in Tier 1 capital which was partially offset by leverage exposure increase. Tier 1 capital increased by 7.8% or by EUR 1.6 billion mainly due to the inclusion of the profit for the year. The overall leverage exposure increased by 5.6% to EUR 342 billion. This change was mainly driven by an increase in on-balance sheet as a result of business and loan growth in the retail and corporate segments as well as increase in debt securities partially offset by decrease in cash and cash balances at central banks.

Credit risk quality

Goals and principles of risk management

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) (f) CRR

Credit risk arises in the traditional lending and capital market business and includes losses incurred due to the default of a borrower or the impairment of a credit exposure due to the downgrading of a debtor. Country risk is implicitly considered when assessing credit risk.

Credit risk in retail lending arises from the probability that customers may fail to settle their financial obligations as stipulated by the contractual terms. Managing credit risk in retail involves dealing with a large number of relatively small exposures extended to private individuals, independent/free professionals, entrepreneurs or to micro companies in line with the Basel definitions. These exposures can be clustered into different risk segments with similar characteristics based on their rating and/or payment behaviour and treated accordingly by applying a rule-based approach. Credit risk related to retail loan portfolios is managed at the Group and local entity level with a common interest to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities supported by underlying profitability.

At the Group level, retail credit risk is managed by the Group retail lending framework that sets out specific risk management requirements. All local entities engaged in lending activities must comply with these requirements. In addition, a standardised retail risk specific reporting platform is in place throughout the Group. This ensures that loan portfolio dynamics can be monitored and analysed regularly, identifying potential adverse developments early on and developing targeted mitigating actions.

Local banks develop their local lending strategy in which input from local risk management plays a key role. Local retail risk management supports the local business lines by identifying which customer segments should be in focus in terms of new lending initiatives. Moreover, local retail risk management ensures that any new products or changes in lending criteria are in line with the Group lending framework requirements and are adequately supported by the existing risk infrastructure. Local risk management also has the primary responsibility for ensuring that country-specific know-how is incorporated into risk management practices and that implications of the local environment (market, competitive, economic, political and legal/regulatory) are appropriately addressed.

The Group Risk Strategy sets Credit Risk Management Principles to ensure sound risk management and responsible banking in retail and corporate lending. For corporate clients, the Group Risk Strategy sets quantitative credit risk portfolio limits and qualitative risk principles to ensure that the credit risk profile remains in line with the Group Risk Strategy. Further limits are derived from the credit risk portfolio limits and include industries, countries, single names (group of connected clients, where applicable) and products. These are established to manage credit risk concentration and align the portfolio composition to the approved relevant business and risk strategies and the related documents (Policies and Procedures). For single names, the business and risk strategies are defined jointly by business and risk managers. The underlying principle is to ensure that lending activities are in compliance with the client rating-based maximum (including uncollateralised) credit limit, are based on expert opinions and analyses and involve relevant cross-functional support from other departments. In addition, as and when available, peer group analyses and information from industry leaders/losers are used to identify industry consolidation trends early on and to adjust the business and risk strategies accordingly.

At the Group level, credit risk of the non-retail business is furthermore managed through the Group credit risk management framework that sets out specific credit risk management policy requirements and lending standards (general lending standards, product specific lending standards, rules related to the credit application and approval process as well as portfolio monitoring and steering). All local entities engaged in credit business have to comply with these requirements.

No transaction can be executed without prior approval by credit risk management in accordance with the procedural requirements and explicitly delegated approval authorities. No credit decision is taken without a thorough assessment of the industry each borrower operates in, its risk profile, repayment capability and the assignment of an internal rating.

Collateral and credit enhancements are evaluated pursuant to internally defined rules. Depending on a rating grade, purpose and tenor, risk-bearing products are protected against losses by stipulating adequate collateral that is fully and indisputably legally enforceable and sufficiently documented for the bank. Nevertheless, collateral and credit enhancements can never substitute repayment capability.

The credit monitoring process is used to ensure consistency between the credit decision and the loan agreement, and to monitor the fulfilment of contractual obligations of a client. The process encompasses pre-drawn checks (i.e. fulfilment of all conditions precedent and other contractual conditions) and ongoing monitoring (i.e. fulfilment of conditions subsequent and operationalised covenants). Counterparty credit risk limits are monitored daily in an internal limit management system with remedial actions taken in case limits are exceeded. Group-wide standardised early warning monitoring process is implemented to proactively identify negative developments. When early warning signals are identified, adequate risk mitigating actions are taken as defined in the Group Early Warning Signal Monitoring Policy.

ORGANISATION

Corporate Risk Management is the operative risk management function covering underwriting, portfolio management and workout activities for the non-retail portfolio (medium-sized enterprises, large corporate and real estate customers, corporate finance, institutional clients and counterparties, sovereigns and countries). Corporate Risk Management is the first line risk management for business booked in Erste Group Bank AG and Erste Bank Österreich, and, above defined thresholds, the second line risk management for business booked in Erste Group's subsidiaries and the 'Haftungsverbund'. In its capacity as second line risk management, it provides the local management boards with recommendations for credit decisions that take into account the Group perspective. Furthermore, it is responsible for Workout activities (workout assignments and workout reports for defined clients, preparation of scenarios for calculation of provisions and for CEE workout & NPL sales) and preparation of business analysis of clients and peer group analysis for selected core industries.
Retail Risk Management is the operative risk management function responsible for defining a framework for underwriting, portfolio management and Collection (Early and Late) activities for the retail business (private individual and micro customers). Both units report directly to the Group Chief Risk Officer (CRO) of the Management Board of Erste Bank Group AG.

Credit Risk Portfolio in cooperation with Retail Risk Management and Corporate Risk Management is responsible for setting standards and steering the Group’s retail and non-retail lending portfolios, including defining the lending and portfolio analytical framework as well as operating the group-wide non-retail policies, credit decision-making process, early warning system, NPL steering and credit monitoring requirements for the corporate portfolio. Credit Risk Portfolio recommends the unconditional approval authorities of the local management boards for approval by the Management Board of Erste Bank Group AG and fosters group-wide credit know-how and culture through regular training activities and sharing lessons learnt. It ensures that only credit risk that is in line with the risk appetite, the risk strategy and limits set by Group Enterprise-wide Risk Management is taken on the books of Erste Group. Credit Risk Portfolio and Retail Risk Management are responsible for monitoring and reporting relevant credit risk limit utilizations. Furthermore, they conduct regular in-depth portfolio reviews with local risk management to understand portfolio dynamics and identify potential adverse portfolio developments early on. As third line of defence, Internal Audit ensures an independent and objective view and assurance of credit risk management activities.
Credit Risk Portfolio, Corporate Risk Management and Retail Risk Management are represented in several relevant governance committees as described in the section on Group Governance for risk management activities.

RISK MEASUREMENT AND CONTROL

Prior to granting a loan, the creditworthiness of a retail client is determined and verified in view of the risk-return trade-off supported by clients' rating. Loans can only be granted if the repayment capacity of the borrower is sufficient to service the regular repayments. Risk-adjusted pricing ensures a balanced relationship between risk and return. Following the loan origination, clients are monitored and in case of adverse developments serviced by the Collection units.

For non-retail clients, the creditworthiness and repayment capacity are determined via in-depth financial analyses and individual rating, based on the clients’ financials, projections, industry analyses and assessments of the clients’ business model. Defined lending standards apply, and credit decisions are taken in line with the currently valid internal credit risk approval authority rules. In case there is a deviation from some of the principles and rules in place, it must be explicitly highlighted and justified with sound and concrete arguments in the credit application for new transactions and approved by the competent approval authorities. Counterparty limits are set towards a client / client group and monitored on a daily basis to ensure that the credit risk remains within the approved limits. For each client / client group a credit review is performed at least once a year. In addition, EWS framework is established Group-wide and early warning signals are regularly monitored in order to timely recognise adverse developments and immediately take appropriate mitigating actions. Specialised Workout units are responsible for defined clients according to the bank´s policies with the aim to minimize potential losses.

Regular group-wide credit risk reports are prepared and contain relevant information for the risk management committees, Management Board and Supervisory Board. These reports inform about development of the credit portfolios in all segments and provide detailed risk-relevant information on customers at risk of default or already defaulted. To further manage credit risk concentration in the portfolio, limits are also set on products, industries and countries, regularly monitored and reported in the group-wide credit risk reports. These reports also include specific monitoring metrics that provide an early warning signal for adverse developments of, e.g. portfolio quality (client, segment, countries and industries) and risk drivers. In instances where certain risk portfolios or clients / client groups are identified as potentially in distress, these are closely monitored by the dedicated risk functions (i.e. Credit Risk Portfolio and Group Enterprise-wide Risk Management) to manage the risk impact and to develop effective strategies to minimize potential losses. This process facilitates early risk detection and reaction. In addition, these reports serve as the basis for reviewing the credit lending standards and the risk strategy.

Complementing the group-wide credit risk report, Credit Risk Portfolio and Retail Risk Management prepare a consolidated, group-wide retail risk management report that shows retail loan portfolio dynamics across local entities with monthly frequency. This report, building on up-to-date portfolio monitoring techniques (vintage analysis, delinquency trends, segment analyses, correlation analysis, etc.) shows the key drivers behind specific portfolio developments. The report covers new loan bookings as well as the main developments (e.g. including FX share trends, interest rate fixation information, Loan-To-Value and debt burden information) in the existing portfolio. In case of the non-retail customers, the report is prepared quarterly by Credit Risk Portfolio based on monthly MIS-reporting and includes group wide information on rating and industry segmentation, debt and collateral coverage. The report also provides an overview on entity level and details on risk developments and quality of the corporate credit portfolio and includes specifics such as new sales volume, FX-lending, NPL and risk costs.
A management summary of the key developments is distributed at least quarterly for retail and semi-annually for non-retail clients to senior management and key decision makers. In addition, key lending criteria relaxations planned by the local entities are also reviewed and aligned with Credit Risk Portfolio for non-retail clients and Retail Risk Management for retail clients prior to implementation.

It is the interest of Erste Group not to put customers into a position in which they are no longer able to meet their contractual obligations. This also includes the principle of matching the term of the debt to the object financed, in particular, as regards the relationship between operating output, cash flow, repayment capability and financing need; the recoverability of the loan and its use must be plausible and verifiable. Transactions with financial holding companies are entered into only in well-defined cases based on detailed (also intragroup) cash flow analyses. Foreign currency loans depend on regional market conditions and customer class. Generally, financing in local currency is given preference, especially if the customer does not have any income in foreign currency. However, market practices vary in the different CEE markets along with different business strategies. Interest rate hedging is provided where deemed necessary or risk is explicitly covered by buffers in repayment capacity of clients. Erste Group has established clear policies with respect to FX lending across countries and businesses. This includes appropriate monitoring and governance in place with distinct limits set as part of the Group Risk Strategy to manage and ensure proper oversight of FX lending risk.

Erste Group strictly follows a cash-flow based corporate lending approach. Any financing is based on a corporate client's ability to generate future cash-flows. Lending based exclusively on collateral is avoided as collateral only serves to reduce potential losses caused by unexpected cash-flow shortfalls. All corporate lending activities (including leverage financing) are regulated by the lending policies applied to the entire Group, prescribing limits and minimum requirements.

RISK MITIGATION

Erste Group has implemented a sound risk management framework for identification, assessment, monitoring and mitigation of credit risks, including policies and procedures for credit application and approval process, fraud prevention, early warning and credit monitoring, collateral management, risk materiality assessment and determination of controls to mitigate the material risks in the credit process.

Apart from economic creditworthiness, the provision of collateral is a central element of risk mitigation and is particularly important for specialised lending. However, collateral is no substitute for lacking creditworthiness. The eligibility of collateral is determined in accordance with the bank's internal collateral catalogue. Non-collateralised portions of debt are usually not accepted for new customers below a certain credit quality as expressed by rating grades. In addition, risk mitigation for retail and non-retail clients is based, above all, on prudent lending criteria.

In non-retail lending Maximum and Rating Based Lending framework is established to proactively manage and limit single name/ group of connected clients concentrations and to ensure monitoring, reporting and steering of single name concentrations in line with the approved Risk Appetite Statement and Risk Strategy. These frameworks are operationalized through the Operating Lending Limit framework that is applied in the credit application and approval process.

Single clients belonging to a group of connected clients are financed only if the lending principles of Erste Group are met (any deviation needs to be brought to special attention). All single clients belonging to a group of connected clients are considered in a rating process. In such cases, the group rating and the "corporate ceiling" are taken into account. Beyond a predefined total debt level, single clients or groups of connected clients that have credit relations with more than one fully consolidated company of Erste Group are classified as limit relevant customers, with the limit cap being determined in the respective limit application.

In retail lending, the debt-to income, debt service-to-income and loan-to-value ratios have to be limited to a level that allows for a sufficient buffer in case of stressed conditions. Furthermore, FX loans (i.e. loans that are at least partially receivable in currencies other than the legal tender of the country in which the borrower is domiciled) are not allowed – with the exception of the following:
- customers have a natural hedge (i.e. no FX risk involved);
- the loan is fully secured with matching currency liquid collateral;
- explicitly approved loan share in the Group Risk Strategy.

Retail and non-retail customers experiencing financial difficulties are managed by Collection and Workout units group-wide. These units proactively support customers with payment difficulties as appropriate by applying different collection and workout strategies in order to maintain a healthy portfolio, increase recoveries and save costs.

Definition of past due, substandard, defaulted and impaired

DISCLOSURE REQUIREMENTS Art. 442 (a) CRR

The Group's ongoing assessment of the customers' capacity to fulfil their obligations is carried out using a large number of risk management instruments. This includes the constant monitoring of the Group's portfolio of past due, substandard and defaulted exposures.

Past due

In the case of payments in arrears, payments are considered past due as of the date when the borrower exceeded an approved credit limit, or the borrower was advised of a lower limit than the current outstanding, or drew on an unauthorised credit facility, or did not make a contractually agreed payment in due time, and the amount concerned is significant. Unpaid credit card debt is deemed past due from the earliest due date.

Substandard

The borrower is vulnerable to negative financial and economic impacts; as a rule, such loans are managed in specialised risk management departments.

Defaulted

There is a default if one or more of the default criteria under the Basel capital adequacy framework apply
- 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;
- initiation of bankruptcy proceedings; or
- the customer is regarded as impaired.

Impaired

Credit-impaired is defined as the occurrence of one or more events that have a detrimental impact on the estimated future cash flows of a financial asset.

Implementation of IFRS 9 Financial instruments standard as of 1 January 2018 led to harmonization of defaulted and impaired definitions in Erste Group. An impairment relevant financial instrument is credit-impaired if the customer is in default; internal rating "R" is assigned. This means that all impairment relevant financial instruments of a defaulted customer are credit-impaired. If a customer is upgraded to a non-defaulted rating grade, then all his impairment relevant financial assets will not be credit-impaired any longer.

Credit risk adjustments

DISCLOSURE REQUIREMENTS Art. 442 (b) CRR

The following paragraphs provide a description of the approaches and methods adopted for determining value adjustments and credit risk adjustments.

EXPECTED CREDIT LOSS MEASUREMENT

The general principles and standards for credit loss adjustment calculation are governed by internal policies in Erste Group. According to IFRS 9, credit loss adjustments 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 adjustments 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 credit risk adjustment, defined as well as expected credit loss (ECL), determination. The stages approach applies to financial instruments within the scope of the impairment requirements of IFRS 9 and those that are not categorised as purchased or originated credit impaired financial assets (POCI), which form a category of their own. Depending on the impairment status and the assessment of the development of credit risk, these financial instruments are assigned to one of the three stages.

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

Stage 2 includes not credit-impaired financial instruments with a significant increase in credit risk since initial recognition and not subject to the 'low credit risk exemption' allowed by IFRS 9, and not credit-impaired financial instruments if a PD curve valid at initial recognition was missing at the time of the implementation of IFRS 9 according to IFRS 9 para 7.2.20. Also, Stage 2 includes trade receivables without significant financing component to which the 'simplified approach' is applied mandatorily based on IFRS 9 requirements. In stage 2, the credit loss adjustments are calculated as lifetime ECL. In the case of drawings by non-defaulted customers on previously committed credit lines, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2, depending on the development of credit risk between the commitment date and the drawing date.

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

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

Pursuant to Commission Delegated Regulation (EU) No 183/2014 in connection with EBA/RTS/2013/04[2], all credit risk adjustments are treated as specific credit risk adjustments in COREP.

Erste Group regularly reviews its expected credit risk adjustments. These exercises include the parameters and methodologies used in the credit risk adjustment calculation. Adjustments can take place in the context of specific reviews (cash flow assessment in case of individually assessed credit risk adjustments), routine maintenance of parameters (such as regular calibration) or in the case of specific events (e.g., improved knowledge about recovery behaviour, back-testing results).

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[2] Recital (9) of Commission Delegated Regulation (EU) No 183/2014 states "Whereas the treatment of losses exclusively related to credit risk recognised under applicable accounting frameworks depends on the fulfilment of those criteria, the large majority of those amounts should normally be classified as Specific Credit Risk Adjustments given the restrictive nature of the criteria for General Credit Risk Adjustments".[2] EBA Final draft Regulatory Technical Standards on specification of the calculation of specific and general credit risk adjustments, 26 July 2013 states in answer 3 to Question 1 of the consultation "impairments recognised in accordance with current IAS 39 rules, also referred to as an 'incurred loss' model, would be considered as Specific Credit Risk Adjustments. For the IFRS framework as it currently stands, no example for General Credit Risk Adjustments can be given.

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 recognized 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 those already established in general credit risk practice (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.

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

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

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

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

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

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

Erste Group has introduced additional portfolio level collective SICR assessment criteria due to the war in Ukraine (implemented in 2022) and related economic impacts. Similarly, from 2020 till Q3-2022 portfolio, collective assessment due to the Covid-19 pandemic was established. 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 expected to occasionally apply to some debt security exposures and only exceptionally to loans.

GROUPING OF INSTRUMENTS AND CALCULATION OF CREDIT RISK ADJUSTMENTS

Credit loss adjustments 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 adjustment 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 adjustments are calculated according to a rule-based approach irrespective of the significance of the customer. The calculation of collective adjustments requires grouping the related exposures into homogenous clusters based on 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 adjustments 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 adjustment, 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.

Incorporation of forward-looking information

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

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

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

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

Baseline scenario

Erste Group expects the Eurozone economy to bottom out in 1Q 2023 followed by a gradual recovery of the economy as of 2Q 2023. The main factor supporting the constructive baseline outlook for the Eurozone in 2023 and 2024 is easing inflationary pressures on a domestic and as well as on global level. European gas- and electricity prices have dropped substantially and easing pressures from global supply chains are expected to ease inflationary pressures in the coming months even further. Erste Group forecasts that in this environment we will see a gradual acceleration of consumption and investments as the year progresses. In this environment Erste Group expects the ECB to gradually slow down its pace of monetary tightening in the course of the year.

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

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

Macro-shift FLI models are recalibrated regularly to reflect the most relevant macro-variables. Recalibration is performed by the local entities, and variables with the highest statistical relevance are included.

Collective assessment

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

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

War in Ukraine and energy crisis

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

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

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

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

- EUR 90.1 billion of cyclical industries, out of which EUR 17.3 billion is in Stage 2,
- EUR 22.2 billion of energy intensive industries, out of which EUR 18.2 billion is in stage 2.

In the Czech Republic and Croatia, local risk management assessed that the re-calibration of private individuals' macro shift FLI model did not bring feasible results and therefore does not sufficiently address current situation. Therefore, the additional SICR collective assessment on Private individual side was introduced, triggering additional migration of the exposure of EUR 1,628 million to Stage 2 as of 31.12.2022. This resulted in the EUR 21 million ECL increase as of 31.12.2022.

Effect on Expected Credit Loss

As described above, an increase of the ECL might result from a re-assessment of the credit risk parameters and a migration to worse stages either via significant increase in credit risk (SICR) or a default.

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

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

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

QUANTITATIVE DISCLOSURE ON CREDIT RISK

DISCLOSURE REQUIREMENTS Art. 442 (c) (d) (e) (f) (g) CRR

In order to present the clear view of the credit risk in the following tables, loans and advances, finance lease receivables, trade and other receivables and debt securities are presented, as well as cash balances with central banks and other demand deposits where relevant. On top of the asset relevant positions, off-balance items are included.

Positions that are not included in following quantitative disclosures are cash on hand, equity instruments and equity investments, derivatives, property and equipment, investment property, intangible assets, investment in joint ventures and associates, current tax assets, deferred tax assets not subject to deduction, assets held for sale and other assets, which in total comprise 4,3% of total balance sheet assets.

In the following tables, detailed split of gross credit exposure, specific credit risk adjustments, accumulated write-offs and collaterals are presented, by the significant balance sheet classes, industries, geographical areas and residual maturity. The gross carrying amount represents carrying amount before adjustment by any loss allowance and negative FV change in case of instruments measured at fair value through profit or loss. The off-balance items are presented in their nominal amount. The accumulated write-offs represent amounts to which institution’s rights are not extinguished, even in cases where exposure has been completely derecognised and no enforcement action has been taking place.

in EUR million	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collaterals and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3		of which: stage 1	of which: stage 2		of which: stage 2	of which: stage 3			
Cash balances at central banks and other demand deposits	**31,866.4**	**31,866.4**	**-**	**-**	**-**	**-**	**-3.5**	**-3.5**	**-**	**-**	**-**	**-**	**-**	**196.9**	**-**
Loans and advances	**220,550.0**	**180,395.4**	**39,154.2**	**4,225.6**	**0.9**	**4,027.8**	**-1,852.0**	**-367.4**	**-1,457.6**	**-2,143.8**	**-0.1**	**-2,076.8**	**-166.4**	**134,483.8**	**1,460.7**
Central banks	13,515.7	13,515.7	0.0	-	-	-	-0.4	-0.4	-	-	-	-	-	12,831.7	-
General governments	9,427.3	8,757.0	667.9	10.3	-	10.3	-33.8	-4.8	-29.0	-0.7	-	-0.6	-0.8	1,464.9	9.6
Credit institutions	4,969.0	4,898.7	70.3	0.1	-	0.1	-5.8	-5.5	-0.4	-0.1	-	-0.1	-	3,828.6	-
Other financial corporations	5,410.3	4,344.3	1,029.9	101.2	-	101.2	-28.3	-8.3	-19.9	-36.9	-	-36.9	-3.9	1,682.6	29.5
Non-financial corporations	92,916.8	67,300.3	25,485.9	2,344.0	0.1	2,199.7	-1,013.2	-180.8	-807.3	-1,151.5	-0.0	-1,109.0	-129.6	47,140.2	808.0
Of which: SMEs	41,797.5	28,780.9	13,001.4	1,409.5	0.1	1,321.8	-602.2	-99.4	-502.6	-671.0	-0.0	-643.5	-78.6	24,632.6	559.5
Households	94,310.9	81,579.3	11,900.3	1,769.9	0.8	1,716.6	-770.5	-167.7	-600.9	-954.7	-0.1	-930.2	-32.1	67,535.9	613.6
Debt Securities	**51,100.9**	**49,450.0**	**1,104.3**	**7.6**	**-**	**7.6**	**-40.8**	**-19.7**	**-21.1**	**-4.7**	**-**	**-4.7**	**-**	**2,219.9**	**-**
Central banks	14.9	14.9	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	40,247.1	39,959.2	250.5	-	-	-	-18.9	-12.4	-6.6	-	-	-	-	238.1	-
Credit institutions	8,220.1	7,798.5	108.4	0.0	-	-	-7.5	-5.4	-2.0	-	-	-	-	1,801.1	-
Other financial corporations	775.1	460.4	134.8	1.9	-	1.9	-1.8	-0.4	-1.4	-1.9	-	-1.9	-	33.6	-
Non-financial corporations	1,843.7	1,217.0	610.7	5.7	-	5.7	-12.6	-1.4	-11.1	-2.8	-	-2.8	-	147.1	-
Off-balance sheet exposures	**63,639.7**	**41,088.6**	**11,350.7**	**275.2**	**0.0**	**198.5**	**-397.3**	**-83.0**	**-275.6**	**-139.4**	**-0.0**	**-106.8**		**6,583.1**	**27.2**
Central banks	42.8	42.8	-	-	-	-	-	-	-	-	-	-		-	-
General governments	2,704.0	2,070.5	101.6	0.0	-	-	-11.6	-0.7	-9.8	-0.0	-	-		381.7	0.0
Credit institutions	1,376.4	755.0	27.0	-	-	-	-2.3	-1.0	-0.9	-0.0	-	-		273.9	-
Other financial corporations	4,051.5	2,706.3	582.6	1.8	-	1.8	-21.4	-13.4	-6.2	-1.5	-	-1.5		390.2	0.4
Non-financial corporations	42,809.0	23,837.0	9,695.2	248.6	-	172.6	-324.5	-55.5	-234.0	-124.4	-	-92.1		4,200.3	22.5
Households	12,655.9	11,677.1	944.3	24.8	0.0	24.1	-37.5	-12.5	-24.7	-13.5	-0.0	-13.1		1,337.0	4.3
Total	**367,157.0**	**302,800.3**	**51,609.2**	**4,508.4**	**0.9**	**4,234.0**	**-2,293.7**	**-473.7**	**-1,754.3**	**-2,288.0**	**-0.1**	**-2,188.2**	**-166.4**	**143,483.7**	**1,487.9**

Table 22: Credit Risk – Gross credit risk exposure/nominal value, credit risk adjustments, accumulated write-offs and collateral my balance sheet classes (Art. 442 (c) (f) CRR, EU CR1 (EU) 2021/637)

in EUR million	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	9,673.0	38,339.8	44,101.9	128,268.5	396.6	220,779.7
Debt securities	136.8	15,004.7	20,571.8	19,856.2	897.8	56,467.4
Total	**9,809.8**	**53,344.5**	**64,673.7**	**148,124.6**	**1,294.4**	**277,247.1**

Table 23: Credit Risk – Carrying amount of loans and debt securities by residual maturity (Art. 442 (g) CRR, EU CR1-A (EU) 2021/637)

in EUR million	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		of which: non-performing				
			of which: defaulted	of which: loans and advances subject to impairment		
Agriculture, forestry and fishing	1,834.5	72.2	72.2	1,834.5	-65.0	-
Mining and quarrying	424.6	6.6	6.6	424.6	-5.1	-
Manufacturing	18,219.7	735.7	735.7	18,219.7	-516.4	-
Electricity, gas, steam and air conditioning supply	4,983.3	28.7	28.7	4,983.3	-108.8	-
Water supply	670.3	11.8	11.8	670.3	-22.8	-
Construction	8,585.9	257.9	257.9	8,573.3	-229.3	-
Wholesale and retail trade	12,228.1	328.7	328.6	12,228.1	-321.0	-
Transport and storage	4,214.1	75.8	75.8	4,214.1	-96.0	-
Accommodation and food service activities	4,533.7	234.0	234.0	4,533.7	-183.3	-
Information and communication	2,521.4	38.4	38.4	2,521.4	-38.2	-
Financial and insurance actvities	470.2	14.3	14.3	470.2	-10.9	-
Real estate activities	29,633.3	329.5	329.5	29,611.0	-355.3	-2.0
Professional, scientific and technical activities	2,436.6	51.2	51.2	2,436.6	-53.5	-
Administrative and support service activities	2,192.8	86.8	86.8	2,192.8	-62.4	-
Public administration and defense, compulsory social security	119.0	0.1	0.1	119.0	-10.7	-
Education	90.5	3.2	3.2	90.5	-2.1	-
Human health services and social work activities	971.3	53.1	53.1	971.3	-56.2	-
Arts, entertainment and recreation	704.4	6.1	6.1	704.4	-15.9	-
Other services	427.0	9.8	9.8	427.0	-10.0	-
Total	**95,260.8**	**2,344.0**	**2,343.9**	**95,225.7**	**-2,162.7**	**-2.0**

Table 24: Credit quality of loans and advances to non-financial corporations by industries (Art. 442 (c) (d) CRR, EU CQ5 (EU) 2021/637)

in EUR million	Gross carrying/Nominal amount						
		of which: non-performing					
			of which: defaulted	of which: subject to impairment	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantee given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
On balance sheet exposures	**275,884.1**	**4,233.2**	**4,232.2**	**274,492.4**	**-4,034.8**		**-6.6**
Core Market - Austria	106,329.8	1,822.1	1,822.1	106,197.6	-1,185.6		-
Core Market - Croatia	10,981.2	315.9	315.9	10,979.6	-332.1		-
Core Market - Czech Republic	66,048.5	733.1	733.1	66,047.0	-857.5		-
Core Market - Hungary	12,239.7	180.4	180.4	11,458.6	-189.1		-4.5
Core Market - Romania	18,765.3	325.6	325.6	18,765.3	-571.2		-
Core Market - Serbia	3,171.4	49.9	48.8	3,171.4	-62.3		-
Core Market - Slovakia	25,083.8	289.8	289.8	25,079.2	-354.0		-
Emerging Markets - Asia	1,346.5	10.2	10.2	1,183.1	-5.2		-
Emerging Markets - Latin America	112.6	20.1	20.1	112.6	-7.4		-
Emerging Markets - Middle East/Africa	420.1	0.6	0.6	420.1	-19.3		-
Emerging Markets - SE Europe/CIS	2,913.1	102.5	102.5	2,913.0	-143.8		-
Emerging Markets - Middle East/Africa	0.0	-	-	0.0	-0.0		-
Other EU Countries	20,295.1	318.6	318.6	20,235.5	-267.7		-2.0
Other Industrialized Countries	101.2	-	-	87.1	-1.4		-
Emerging Markets - Middle East/Africa	-	-	-	-	-		-
Other EU Countries	-	-	-	-	-		-
Other Industrialized Countries	8,075.9	64.4	64.4	7,842.4	-38.2		-0.0
Off balance sheet exposures	**63,914.9**	**275.2**	**275.2**			**536.7**	
Core Market - Austria	29,620.8	144.4	144.4			233.3	
Core Market - Croatia	2,182.5	8.9	8.9			33.5	
Core Market - Czech Republic	10,525.8	61.0	61.0			56.6	
Core Market - Hungary	2,624.4	4.9	4.9			23.2	
Core Market - Romania	4,440.6	19.5	19.5			73.4	
Core Market - Serbia	1,010.2	0.2	0.2			5.4	
Core Market - Slovakia	4,179.1	11.2	11.2			26.2	
Emerging Markets - Asia	105.6	0.0	0.0			0.5	
Emerging Markets - Latin America	97.2	6.1	6.1			0.9	
Emerging Markets - Middle East/Africa	145.9	0.0	0.0			8.5	
Emerging Markets - SE Europe/CIS	895.3	7.1	7.1			13.9	
Emerging Markets - Middle East/Africa	0.0	-	-			0.0	
Other EU Countries	5,814.9	8.1	8.1			51.7	
Other Industrialized Countries	10.7	-	-			0.0	
Emerging Markets - Middle East/Africa	-	-	-			-	
Other EU Countries	-	-	-			-	
Other Industrialized Countries	2,261.7	3.8	3.8			9.7	
Total	**339,799.0**	**4,508.4**	**4,507.3**	**274,492.4**	**-4,034.8**	**536.7**	**-6.6**

Table 25: Credit quality of exposures by geography (Art. 442 (c) and (e) CRR, EU CQ4 (EU) 2021/637)

In the tables below past due credit exposure (performing and non-performing) is reported by financial instruments and respective past due bucket.

	Gross carrying amount / Nominal amount											
	Performing exposures			Non-performing exposures								
in EUR million		Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
Cash balances at central banks and other demand deposits	**31,866.4**	**31,866.0**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Loans and advances	**220,550.0**	**219,487.9**	**1,062.1**	**4,225.6**	**2,662.9**	**210.9**	**306.3**	**321.3**	**425.3**	**84.7**	**214.1**	**4,224.5**
Central banks	13,515.7	13,515.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	9,427.3	9,186.9	240.4	10.3	9.6	0.0	0.0	0.0	0.6	0.0	0.1	10.3
Credit institutions	4,969.0	4,968.3	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other financial corporations	5,410.3	5,407.5	2.8	101.2	85.7	1.8	2.3	6.3	2.7	2.0	0.4	101.2
Non-financial corporations	92,916.8	92,377.0	539.8	2,344.0	1,652.2	103.1	164.6	119.5	166.2	33.5	104.9	2,343.9
Of which SMEs	41,797.5	41,326.0	471.6	1,409.5	893.0	69.8	136.4	107.6	125.0	27.8	50.0	1,409.4
Households	94,310.9	94,032.4	278.5	1,769.9	915.4	106.0	139.4	195.6	255.8	49.1	108.7	1,769.0
Debt Securities	**51,100.9**	**51,100.9**	**0.0**	**7.6**	**7.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**7.6**
Central banks	14.9	14.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General governments	40,247.1	40,247.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit institutions	8,220.1	8,220.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial corporations	775.1	775.1	0.0	1.9	1.9	0.0	0.0	0.0	0.0	0.0	0.0	1.9
Non-financial corporations	1,843.7	1,843.7	0.0	5.7	5.7	0.0	0.0	0.0	0.0	0.0	0.0	5.7
Off-balance sheet exposures	**63,639.7**			**275.2**								**275.2**
Central banks	42.8			0.0								0.0
General governments	2,704.0			0.0								0.0
Credit institutions	1,376.4			0.0								0.0
Other financial corporations	4,051.5			1.8								1.8
Non-financial corporations	42,809.0			248.6								248.6
Households	12,655.9			24.8								24.8
Total	**367,157.0**	**302,454.9**	**1,062.4**	**4,508.4**	**2,670.5**	**210.9**	**306.3**	**321.3**	**425.3**	**84.7**	**214.1**	**4,507.3**

Table 26: Credit quality of performing and non-performing exposures by past due days (Art. 442 (d) CRR, EU CQ3 (EU) 2021/637)

Credit quality of forborne exposures

Credit quality of the forborne exposure is presented in the table below, including information on defaulted and impaired forborne exposure.

in EUR million	Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals received and financial guarantees received on forborne exposures	
		Non-performing forborne						
	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: Collateral and financial guarantees received on non-performing exposures with forbearance measures
Cash balances at central banks and other demand deposits	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**2,524.1**	**1,564.1**	**1,562.9**	**1,551.0**	**-105.5**	**-674.8**	**2,290.3**	**663.6**
Central banks	-	-	-	-	-	-	-	-
General governments	53.6	0.6	0.6	0.6	-0.1	-0.6	0.7	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	17.5	59.1	59.1	59.1	-1.4	-17.6	30.3	25.1
Non-financial corporations	1,336.7	915.6	915.5	907.8	-64.0	-398.3	1,211.5	380.2
Households	1,116.2	588.8	587.7	583.6	-40.0	-258.4	1,047.8	258.2
Debt Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	**88.9**	**39.4**	**39.4**	**37.8**	**3.0**	**19.6**	**31.5**	**3.7**
Total	**2,612.9**	**1,603.4**	**1,602.2**	**1,588.9**	**-102.4**	**-655.2**	**2,321.8**	**667.3**

Table 27: Credit quality of forborne exposures (Art. 442 (c) CRR, EU CQ1 (EU) 2021/637)

Asset repossession

The table below shows the information on type and value of the collateral obtained by taking possession in exchange of cancellation of debt instrument. The overview consists of repossessed assets in the balance sheet as of December 2021.

in EUR million	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property Plant and Equipment (PP&E)	**0.9**	**-**
Other than PP&E	**87.7**	**-36.4**
Residential immovable property	32.5	-16.9
Commercial Immovable property	49.0	-15.8
Movable property (auto, shipping, etc.)	1.7	-0.2
Equity and debt instruments	4.5	-3.4
Other collateral	0.0	-
Total	**88.7**	**-36.4**

Table 28: Collateral obtained by taking possession and execution processes (Art 442 (d), EU CQ7 (EU) 2021/637)

"Value at initial recognition" represents the gross carrying amount of the repossessed collateral at initial recognition in the balance sheet. "Accumulated impairment, accumulated negative changes" shows a negative difference between the current and the initial value of the collateral obtained by taking possession.

Changes in stock of non-performing loans and advances

in EUR million	Gross carrying amount
Initial stock of non-performing loans and advances (Dec 20)	**4,422.3**
Inflows to non-performing portfolios	2,617.9
Outflows from non-performing portfolios	-2,795.8
Outflows due to write-offs	-315.5
Outflow due to other situations	-2,480.3
Final stock of non-performing loans and advances (Dec 21)	**4,225.6**

Table 29: Yearly development stock of non-performing loans and advances (Art- 442 (f) CRR, EU CR2 (EU) 2021/637)

Inflows to non-performing portfolios consist of new defaults during the year, as well as other increases of existing NPLs (due to accrued interest, purchase of receivables etc.). Outflows from non-performing portfolios include upgrades, recoveries, NPL sales, write-offs and other decreases of existing NPLs during the period.

Asset quality remained strong, net decrease of total NPL stock recorded primarily driven by successful NPL recoveries, upgrades and sales of the NPL portfolio. Mentioned activities fully compensated the new defaults observed in 2022. Compared to 2021 less new defaults have been recorded in 2022 which together with the improved quality, sales and net recoveries, influenced the overall decrease of the NPL portfolio.

Credit risk mitigation techniques

Management and recognition of credit risk mitigation

DISCLOSURE REQUIREMENTS Art. 453

Group Collateral Management is part of Underwriting Processes within Credit Risk Portfolio. It is responsible for the standardised and consistent management of credit collateral across Erste Group. Jointly with Trading Book Risk Management within Group Liquidity and Market Risk Management it also coordinates the roll-out of risk management standards to ensure consistent management of treasury collateral across Erste Group. For this purpose, Group Collateral Management issues the Group Collateral Management Policy as a framework for compliance with the CRR.

The Group Collateral Management Policy provides guidelines for a robust end-to-end process and responsibilities for managing collateral including valuation, revaluation and monitoring standards, requirements for consideration of collateral for internal risk calculation and criteria for eligibility of collateral according to CRR. All collateral assets accepted by Erste Group are described in the Group Collateral Catalogue – as a part of the Group Collateral Management Policy - including their definitions and eligibility criteria, as well as the minimum requirements of valuation, revaluation and monitoring. Each local entity defines an exhaustive list of acceptable and eligible collateral depending on the locally used approach in accordance with the Group Collateral Catalogue.

In each subsidiary of Erste Group, the local Collateral Management unit is responsible for the implementation of the framework by issuing a local policy and working instructions taking into consideration any additional local legal and regulatory requirements and the organisation of the subsidiary. The local implementation is supervised by Group Collateral Management and Trading Book Risk Management.

Collateral valuation and netting

COLLATERAL VALUATION AND MANAGEMENT

DISCLOSURE REQUIREMENTS Art. 453 (b) (c) CRR

Collateral is accepted in Erste Group only to back up loans and capital market transactions and does not serve as a substitute for the borrower's ability to meet his obligations. Therefore, collateral can only be evaluated in the credit application along with the assessment of the borrower's creditworthiness and capacity for repayment.

The calculation of credit collateral values is performed pursuant to the following process:

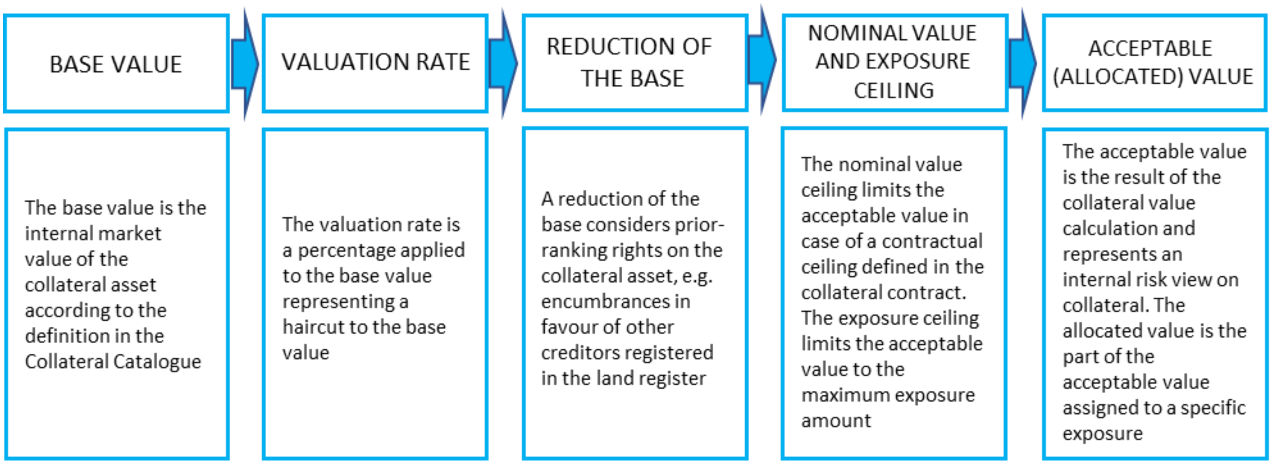

Figure 4: Credit collateral valuation

Collateral valuation is based on current market prices, considering an amount that can be recovered within a reasonable time period. The calculation methodology for the base value is specified by Group Collateral Management taking into consideration the collateral asset type. In the collateral valuation process, a pre-defined haircut, i.e. valuation rate, is applied to the base value. The valuation rates are set by Local Collateral Management based on empirical data representing the past experience of workout departments and on the results of the data collected regarding the proceeds from the realisation of collateral. The valuation rates depend on the collateral types and methods.

The valuation processes are defined and technically implemented. Data record is performed by authorised staff using the appropriate software applications. The valuation rates and methods are back-tested regularly – at least once a year – to current recovery proceeds. When facing significant changes in market developments, the valuation rates are adjusted ad hoc.

Collateral revaluation is done periodically and is automated as far as possible. The relevant interfaces are used for external data sources. The maximum periods for the revaluation of individual collateral are predefined and compliance is monitored with a support of software applications. Irrespective of the periodically conducted revaluations, revaluations must also be carried out when information becomes available indicating that the value of the collateral has decreased for special reasons.

Only standard contracts of the local legal departments or contracts with sufficient legal review are used to ensure the enforceability of the collateral in the relevant jurisdiction, including the event of insolvency and bankruptcy of the borrower or the collateral provider. Local Collateral Management Policies and working instructions determine responsibilities for the end-to-end collateral management process from activation of collateral to release (liquidation) of collateral to ensure the best results in case of a realisation of collateral.

The following types of credit collateral are accepted:
- real estate: both residential and commercial real estate,
- financial collateral: securities, cash deposits and life insurance policies,
- guarantees: guarantees of sovereigns and public sector entities, financial institutions, other corporate entities and individuals,
- movables: equipment, investment goods, machinery, motor vehicles, inventories and commodities,
- claims and rights: accounts receivable, leasehold rights and shares in a company's capital.

Real estate, financial collateral and guarantees are the most frequently used types of collateral and are discussed in more detail in the following sections. Movables as well as claims and rights are accepted collateral by Erste Group but have less relevance.

Real estate

Real estate is the most important collateral within Erste Group. Residential real estate (i.e. real estate which is or will be occupied or let by the owner for residential purposes) and commercial real estate are used for credit risk mitigation. Real estate properties are evaluated at sustainable market values. The applicable appraisal methods are predefined and depend on the type of real estate. In general, the comparative method is used for residential real estate whereas the income method is used for commercial real estate. Only independent external or internal appraisers, who are not involved in the lending decision process, are permitted to perform real estate valuations. Local Collateral Management defines the accepted appraisers. For quality assurance purposes, real estate valuations are validated on an ongoing basis and real estate appraisers who do not fulfil the quality requirements are eliminated from future valuations as a consequence.

ESG relevant data is collected for certain types of collateral, as defined in the Group Collateral Management Policy for real estate collateral valuations, documentation and reporting purposes. Environmental aspects which affect the value of the collateral have to be included in the real estate valuations, which can lead to a higher or lower valuation result.
Further details on ESG data collection for real estate assets are presented in the Pillar 3 ESG Disclosure tables.

The monitoring of real estate values is performed at least yearly. Statistical monitoring based on official transaction data is used for residential real estate. If statistical method is not applicable or the market value exceeds defined thresholds individual monitoring is done by real estate experts. Revaluations follow the same process as initial valuations. It is performed at least every three years when the loan amount secured by real estate exceeds EUR 3 million. Local subsidiaries may define lower thresholds and shorter intervals for revaluation.

Financial collateral

Financial collateral assets are mainly security accounts, cash deposits (accounts, savings books) and life insurance policies. Gold (bullion and coins) is accepted and used for risk mitigation. The pledge or assignment of financial collateral has to be unconditional and irrevocable. If the financial collateral is held by third party institutions, they are to be notified of the pledge or assignment. The base value of the financial collateral depends on the type of collateral asset. The base value of the cash deposit is the pledged amount. The base value of security accounts (securities) is their market value on the stock exchange, whereas the base value of life insurance policies is the cash surrender value. The revaluation is carried out automatically at least semi-annually.

Guarantees

Guarantees are mostly provided by corporates, financial institutions, sovereigns, and public sector-related entities in combination with special credit products. The guarantee must represent a direct claim on the guarantor. The contract must not contain any condition, the fulfilment of which is outside the direct control of the bank and could prevent the guarantor from being obliged to pay.

All guarantors must be checked with regards to their economic capacity. They must have a minimum credit rating which is reviewed at least annually. The PD of the guarantor is used for risk weighted asset calculation when the defined preconditions are met.

Receivables

Trade accounts receivables are used for credit risk mitigation if they fulfil the requirements of CRR. The base value is the average level of gross monthly receivables. Overdue receivables, receivables against affiliates of the borrower and claims with high commercial dependency between the collateral borrower and the garnishee as well as receivables against garnishee with doubtful economic quality or domiciled in countries where the enforcement may be problematic are excluded. The revaluation is performed at least annually.

Treasury Collateral

For more details see chapter "Counterparty Credit Risk"

POLICIES AND PROCESSES FOR NETTING

DISCLOSURE REQUIREMENTS Art. 453 (a) CRR

Netting is currently not used for risk mitigation in the on-balance sheet customer lending business. The consideration of netting agreements for the over-the-counter (OTC) derivative business is described in the chapter "Counterparty Credit Risk".

Main types of guarantors and credit derivative counterparties

DISCLOSURE REQUIREMENTS Art. 453 (d) CRR

Most guarantees are provided by corporates, financial institutions, sovereigns and public sector-related entities.

The credit derivatives business is conducted only with credit institutions of sufficient credit quality based in Austria or abroad, and only within a limit that is based on the counterparty's credit rating. Furthermore, the transactions are executed with credit institutions with a rating in the investment grade range assigned by recognised rating agencies.

Risk concentrations within credit risk mitigation

DISCLOSURE REQUIREMENTS Art. 453 (e) CRR

Risk concentrations resulting from CRM techniques are understood to be the risk of a detrimental correlation of risks that may arise from the use of these techniques. This may affect a single customer, but also a portfolio defined by region, industry or type of collateral.

Due to Erste Group's retail banking model, its customer structure and the different markets in which it does business, it is not facing any concentrations with respect to collateral.

The following processes are applied for monitoring and preventing possible concentrations:

- in the case of corporate guarantees, all loans and guarantee liabilities of the provider across Erste Group are taken into consideration in the credit application process;
- in the case of guarantees provided by a sovereign, a public sector entity or a financial institution, the guarantee amount has to be covered within the approved limit of the guarantor.

Quantitative disclosure on credit risk mitigation

DISCLOSURE REQUIREMENTS Art. 453 (f) CRR

The following table gives an overview on the extent of the use of CRM techniques applied to the carrying amount of loans and advances and debt securities (net of allowances impairment).

The unsecured carrying amount represents exposures which in its entirety do not benefit from any CRM technique. The secured carrying amount consists of exposures that have at least on CRM technique associated with them, regardless of whether they are recognized under CRR as eligible . The amount of collateralized exposure is capped to the carrying amount, meaning that overcollateralization is not taken into consideration.

in EUR million	Unsecured carrying amount	Secured carrying amount			
			Of which secured by collateral	Of which secured by financial guarantees	
					Of which secured by credit derivatives
Loans and advances	116,698.0	135,944.5	126,374.7	9,569.9	-
Debt securities	48,843.2	2,219.9	-	2,219.9	
Total	**165,541.2**	**138,164.4**	**126,374.7**	**11,789.7**	**-**
Of which non-performing exposures	624.0	1,460.7	1,233.8	226.9	-
Of which defaulted	622.9	1,460.7			

Table 30: Overview of CRM techniques (Art. 453 (f) CRR, EU CR3 (EU) 2021/637)

The further details on CRM techniques and credit conversion factors used in risk-weighted asset calculation, as per required by Art. 453 (g), (h) and (i), are given withing dedicated chapters for Starndardized and IRB Approach.

Use of the standardized approach to credit risk

Scope of application and use of external ratings

DISCLOSURE REQUIREMENTS Art. 444 (a) (b) (c) (d) CRR

Pursuant to Article 4 (98) CRR, external credit assessment institution (ECAI) means a credit rating agency that is registered or certified in accordance with Regulation (EC) No 1060/2009.

Erste Group generally uses the IRB Approach for determining the minimum capital requirements pursuant to Basel 3. The Standardised Approach is applied to exposures in insignificant business areas and business units as well as when the rollout plan specifies a later date for transition to the IRB Approach. Furthermore, specific legal regulations for certain business segments may trigger the application of the Standardised Approach (e.g. zero weighting for Austrian municipalities).

STANDARD & POOR'S RATINGS

Erste Group generally uses Standard & Poor's (S&P) ratings (Art. 444 (a) CRR). The assignment of the rating grades to credit quality steps is undertaken according to Article 136 CRR.

External ratings are used to a limited extent in some exposure classes to calculate the RWA in the Standardised Approach (Art. 444 (b) CRR):

- in case of central governments and central banks, the RW has to be determined pursuant to Article 114 CRR
- in case of institutions, if an external rating by an ECAI of the counterparty is available, the risk weight (RW) has to be determined pursuant to Article 120 CRR;
- in case an external rating by an ECAI of the counterparty in the institution exposure class is not available, the RW has to be determined pursuant to Article 121 CRR;
- In addition, the external ratings published by S&P are used by Erste Group Bank AG and their subsidiaries for the corporate's exposure class. Furthermore, the S&P ratings of securities issuers are used for determining the eligibility of financial collateral according to Article 197 CRR and the calculation of the volatility adjustment pursuant to Article 224 (1) CRR.

Transfer and allocation of external ratings to credit quality steps and risk weights

The transfer of the issuer credit ratings onto comparable assets in the banking book is pursuant to Article 138 CRR (Art. 444 (c)). The allocation of the ratings to credit quality steps is as follows:

Standard & Poor's	Credit quality step
AAA to AA-	1
A+ to A-	2
BBB+ to BBB-	3
BB+ to BB-	4
B+ to B-	5
CCC+ and below	6

Table 31: Allocation of external ratings to credit quality steps (Art. 444 (c) CRR)

The risk weight allocation based on the credit quality step complies with the standard association published by EBA (Art. 444 (d) CRR).

Quantitative disclosure on credit risk – Standardised Approach

DISCLOSURE REQUIREMENTS Art. 444 (e) CRR

in EUR million	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWEA	RWEA density (%)
Central governments or central banks	55,569.7	199.6	63,730.5	277.9	891.1	1.39%
Regional government or local authorities	4,664.7	1,102.7	6,169.6	482.8	434.9	6.54%
Public sector entities	2,129.4	409.8	1,367.3	113.9	213.3	14.40%
Multilateral development banks	228.0	3.5	725.6	27.7	0.2	0.03%
International organisations	528.4	0.0	528.4	-	-	0.00%
Institutions	544.8	345.0	551.1	112.8	274.9	41.41%
Corporates	10,283.1	6,906.3	9,731.9	1,255.5	10,082.6	91.76%
Retail	7,628.4	1,186.8	5,951.7	298.6	4,287.4	68.59%
Secured by mortgages on immovable property	4,881.9	129.8	4,881.9	60.3	1,764.4	35.70%
Exposures in default	186.3	18.0	173.2	4.8	202.0	113.50%
Exposures associated with particularly high risk	38.1	31.7	38.1	15.3	80.2	150.00%
Covered bonds	6.9	-	6.9	-	1.0	14.43%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
Collective investment undertakings	128.9	-	128.9	-	92.9	72.09%
Equity	176.0	-	176.0	-	300.9	170.99%
Other items	3,413.8	-	3,412.7	-	2,211.1	64.79%
TOTAL	**90,408.4**	**10,333.3**	**97,573.8**	**2,649.6**	**20,836.7**	**20.79%**

Table 32: Standardised approach – Regulatory exposure by exposure classes and CRM effects (Art. 453 (g) (h) (i) and 444 (e) CRR, EU CR4 (EU) 2021/637)

Exposure before CCF and CRM is regulatory exposure net of credit risk adjustments, before application of credit conversion factor to off-balance and before application of the credit risk mitigation techniques.

	Risk weight															
in EUR million	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total	Of which unrated
Central governments or central banks	63,306.8	-	-	-	-	-	0.1	-	-	575.3	-	126.3	-	-	-	64,008.4	316.0
Regional government or local authorities	4,792.6	-	-	-	1,783.2	-	-	-	-	75.4	-	1.1	-	-	-	6,652.4	4.3
Public sector entities	674.3	-	-	-	736.4	-	7.6	-	-	62.8	-	-	-	-	-	1,481.1	102.0
Multilateral development banks	752.8	-	-	-	0.4	-	-	-	-	0.1	-	-	-	-	-	753.3	753.3
International organisations	528.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	528.4	528.4
Institutions	128.5	7.1	-	-	243.3	-	117.5	-	-	167.5	-	-	-	-	-	663.9	591.9
Corporates	0.0	-	-	-	23.6	0.0	239.3	0.6	-	10,620.1	103.8	-	-	-	-	10,987.4	10,871.4
Retail	-	-	-	-	-	12.9	-	-	6,237.4	-	-	-	-	-	-	6,250.3	6,250.3
Secured by mortgages on immovable property	-	-	-	-	-	4,293.9	640.1	-	-	8.3	-	-	-	-	-	4,942.2	4,942.2
Exposures in default	-	-	-	-	-	-	-	-	-	129.9	48.0	-	-	-	-	177.9	177.9
Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	53.5	-	-	-	-	53.5	53.5
Covered bonds	1.9	-	-	-	5.0	-	-	-	-	-	-	-	-	-	-	6.9	1.9
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unit or shares in collective investment undertakings	0.2	-	-	0.5	0.2	-	0.0	-	0.0	37.2	0.0	-	-	0.0	90.8	128.9	128.9
Equity	5.0	-	-	-	-	-	-	-	-	84.4	-	86.6	-	-	-	176.0	176.0
Other items	1,196.1	-	-	-	0.8	-	3.3	-	-	2,208.0	-	-	-	-	4.6	3,412.7	3,412.7
TOTAL	71,386.6	7.1	-	0.5	2,792.7	4,306.8	1,007.9	0.6	6,237.4	13,969.1	205.3	214.0	-	0.0	95.4	100,223.4	28,310.8

Table 33: Standardised approach – Regulatory exposure after CCF and CRM (Art. 444 (e) CRR, EUR CR5 (EU) 2021/637)

Table above presents exposure post CCF and CRM with the breakdown to risk weights. It includes only exposure under credit risk framework, while the split of counterparty credit risk relevant exposure is presented in corresponding chapter. Under column Unrated, exposures for which credit risk assessment by a nominated ECAI is not used and for which specific risk weights are applied depending on their exposure class.

Use of the IRB Approach to credit risk

Approved approaches and transitional rules by the regulator

DISCLOSURE REQUIREMENTS Art. 452 (a) CRR

Erste Group was authorised by the Austrian Financial Market Authority (FMA) and Oesterreichische Nationalbank (Austrian Central Bank) to calculate risk-weighted exposure amounts for credit risk using the IRB Approach as of 1 January 2007.

The following segments fall under the Foundation IRB Approach:
- Institutions;
- Sovereigns (exposures to central governments and central banks of the Member States and their regional governments, local authorities and public sector entities assigned with a 0% risk weight remain under the Permanent Partial Use);
- Corporates;
- Specialised Lending - Slotting Criteria approach.

The segment "Retail" falls under the Advanced IRB Approach.

For equity exposures, the PD/LGD approach is applied. If the PD-value is missing due to a STA-rating method, then equity exposures are treated under the simple risk weight approach. For certain intra-group equity exposures, the Standardised Approach under PPU is applied.

The authorisation to calculate risk-weighted exposure amounts for credit risk using the IRB approaches by the supervisory authorities was issued for an indefinite period of time.

IRB OFFICIAL NOTICES AND IRB ROLL-OUT PLAN

IRB official notice for single banking entities and at consolidated level in Austria

The following savings banks in the cross-guarantee system and domestic operating subsidiaries of Erste Group were audited locally by the FMA/OeNB and received approval to apply the IRB Approach indefinitely as of 1 January 2007 or later:

IRB approval with application starting from 1 January 2007
- Erste Group Bank AG
- Allgemeine Sparkasse Oberösterreich Bank AG
- Dornbirner Sparkasse Bank AG
- Kärntner Sparkasse AG
- Sparkasse Imst AG
- Sparkasse Niederösterreich Mitte West AG
- Steiermärkische Bank und Sparkassen AG
- Tiroler Sparkasse Bank AG Innsbruck
- Bausparkasse der oesterreichischen Sparkassen AG
- Sparkasse Baden
- Sparkasse Bregenz Bank AG
- Sparkasse Herzogenburg-Neulengbach Bank AG
- Lienzer Sparkasse AG
- Salzburger Sparkasse Bank AG
- Sparkasse Bludenz Bank AG
- Sparkasse der Stadt Feldkirch
- Sparkasse Korneuburg AG
- Sparkasse Frankenmarkt AG
- Sparkasse Hainburg-Bruck-Neusiedl AG
- Sparkasse Horn-Ravelsbach-Kirchberg AG
- Waldviertler Sparkasse Bank AG
- Sparkasse der Gemeinde Egg
- Sparkasse der Stadt Amstetten AG
- Sparkasse Eferding-Peuerbach-Waizenkirchen
- Sparkasse Feldkirchen/ Kärnten
- Sparkasse Lambach Bank AG
- Sparkasse Langenlois
- Sparkasse Mühlviertel-West Bank AG
- Sparkasse Mürzzuschlag AG
- Sparkasse Neuhofen Bank AG
- Sparkasse Neunkirchen
- Sparkasse Pöllau AG
- Sparkasse Pottenstein N.Ö.
- Sparkasse Poysdorf AG
- Sparkasse Pregarten – Unterweißenbach AG
- Sparkasse Rattenberg Bank AG
- Sparkasse Scheibbs AG
- Sparkasse Voitsberg-Köflach Bank AG
- Wiener Neustädter Sparkasse
- Kremser Bank und Sparkassen AG

IRB approval with application from a later date
- Sparkasse Salzkammergut AG (IRB Official Notice 30 June 2008)
- Erste Bank der Oesterreichischen Sparkassen AG (IRB Official Notice 9 August 2008 after the split-off from Erste Group)
- Sparkasse Ried im Innkreis-Haag am Hausruck (IRB Official Notice 20 July 2009)

The following savings banks were granted an individual IRB Official Notice prior to joining the cross-guarantee system that was supplemented when they joined the cross-guarantee system:

_ Sparkasse Schwaz AG (IRB Official Notice 28 June 2007 / 29 September 2008)
_ Sparkasse Reutte AG (IRB Official Notice 18 April 2007 / 22 September 2008)
_ Sparkasse der Stadt Kitzbühel (IRB Official Notice 18 April 2007 / 22 September 2008)
_ Sparkasse Mittersill Bank AG (IRB Official Notice 18 April 2007 / 22 September 2008)
_ Sparkasse Kufstein, Tiroler Sparkasse von 1877 (IRB Official Notice 18 April 2007 / 1 October 2009)

IRB official notice for single banking entities and at consolidated level for institutions abroad

The following foreign banks have been audited by the local supervisory authorities on behalf of the FMA and have been granted an indefinite approval to apply the IRB Approach as of 1 January 2007 or later:
_ Česká spořitelna, a.s. (IRB Official Notice 1 January 2007);
_ Stavebni sporitelna Ceske sporitelny a.s. (IRB Official Notice 1 January 2007);
_ Erste Bank Hungary Zrt (IRB Official Notice 1 April 2008);
_ Slovenská sporiteľňa, a.s. (IRB Official Notice 1 July 2008);
_ Erste & Steiermärkische bank d.d., Rijeka (IRB Official Notice for the consolidated level 1 July 2009 and single-entity level 7 October 2011).

IRB official notice at consolidated level only

The following financial institutions have been audited by the OeNB or by local supervisory authorities on behalf of the FMA and were granted approval to apply the IRB Approach at the consolidated level indefinitely:
_ Erste Bank und Sparkassen Leasing GmbH;
_ Erste Group Immorent AG;
_ Sparkassen Leasing Süd GmbH;
_ s Wohnbaubank AG;

IRB application planned – Temporary partial use (TPU)

The following members of the Group of credit institutions will be gradually included in the application of the IRB Approach, for which a specific rollout plan is in place:
_ Banca Comercială Română SA;
_ Erste Bank Hungary Zrt (Specialised Lending Project Finance & Micro Enterprises - Sole Entrepreneur & Micro Enterprise).

PERMANENT PARTIAL USE

Based on the approval of the FMA, Permanent Partial Use (PPU) is applicable to the following exposure classes and in the following cases:
_ Exposures with respect to the mandatory liquidity reserve with the central institution;
_ Exposures with insignificant risk profiles in minor business areas and exposure classes of insignificant volume;
_ Exposures in the exposure classes of the federal government, the federal states, municipalities and public sector entities;
_ Exposures regarding claims of a credit institution vis-à-vis its parent company, its subsidiaries or a subsidiary of its parent company;
_ Investments within the scope of government programmes of the member states to promote specific economic sectors;
_ Exposures in the form of mandatory minimum reserves;
_ Liabilities and back-to-back guarantees of central governments;
_ Investments in companies if the exposures to these companies are assigned a weighting of 0% under the credit risk Standardised Approach.

in EUR million	Exposure value as defined in Article 166 CRR for exposures subject to IRB approach	Total exposure value for exposures subject to the Standardised approach and to the IRB approach	Percentage of total exposure value subject to the permanent partial use of the SA (%)	Percentage of total exposure value subject to a roll-out plan (%)	Percentage of total exposure value subject to IRB Approach (%)
Central governments or central banks	4,186.5	65,924.9	93.7%	0.0%	6.3%
Of which Regional governments or local authorities		2,010.8	100.0%	0.0%	0.0%
Of which Public sector entities		932.0	71.0%	0.0%	29.0%
Institutions	16,812.2	19,274.3	12.8%	0.0%	87.2%
Corporates	108,310.5	103,755.6	2.6%	0.1%	97.3%
Of which Corporates - Specialised lending, excluding slotting approach		-	0.0%	0.0%	0.0%
Of which Corporates - Specialised lending under slotting approach		23,765.9	0.0%	0.0%	100.0%
Retail	93,698.5	90,650.6	1.9%	0.1%	98.0%
of which Retail – Secured by real estate SMEs		8,166.6	0.0%	0.0%	100.0%
of which Retail – Secured by real estate non-SMEs		62,313.8	0.0%	0.0%	100.0%
of which Retail – Qualifying revolving		-	0.0%	0.0%	0.0%
of which Retail – Other SMEs		5,629.3	15.2%	1.5%	83.3%
of which Retail – Other non-SMEs		14,540.9	6.1%	0.0%	93.9%
Equity	988.7	976.4	0.9%	0.0%	99.1%
Other non-credit obligation assets	6,415.6	6,397.2	0.1%	0.0%	99.9%
Total	**230,412.1**	**286,979.0**	**23.9%**	**0.1%**	**76.0%**

Table 34: Scope of the use of IRB and SA approaches (Art. 452 (b), CR6-A (EU) 2021/637)

In the table above, the exposure value is the Exposure At Default (EAD) used as a base for RWA calculation (post CCF and substitution effects due to credit risk mitigation) and excludes exposure under counterparty credit risk and securitisation frameworks.

Rating systems

DISCLOSURE REQUIREMENTS Art. 452 (f) CRR

A rating system comprises all models, methods, processes, controls, data collection and data processing that serve the assessment of credit risks, the allocation of exposures to rating grades and the quantification of default probabilities and loss estimates for certain types of exposures. The rating systems used by Erste Group meet the requirements for the application of the IRB Approach.

RATING MODELS

The internal rating models and the estimates of related risk parameters play a key role in credit risk management, in the decision-making processes and in lending operations. Furthermore, they deliver the main determinants for the procedures to assess capital requirements. Erste Group uses empirical-statistical and expert-based model types. A periodic validation, monitoring and review of estimates ensures the quality of the rating models and risk parameters.

Empirical-statistical models

Empirical-statistical models of risk assessment require a large data base and are especially suitable for mass market businesses.

Based on sufficiently large empirical data bases (data of a large population from the customer base of the bank), scorecards are developed using logistic regression techniques. The key criterion used for selecting the best scorecard is the accuracy ratio. The accuracy ratio indicates the ability of the scorecard to differentiate between customers with low and high default risk. The result of the scorecard is presented as a rating grade, which is associated with a probability of default estimate.

The key element in rating models applied to retail portfolios is the assessment of account behaviour, which is updated on a monthly basis. This enables continuous risk monitoring of customer portfolios in the retail banking business. Furthermore, the rating models also include customer information that is updated at least once a year and, in any case, when a credit application is made (in the event of a credit decision).

The rating results (rating grades) are verifiable and objective, i.e. if the input information is the same, they supply the same rating grade regardless of the individual assessment by the account manager.

Empirical-statistical approaches are used not only in the retail business but also in the Corporate rating method, which is segmented in three rating models (Corporate, Group Corporate and Group Large Corporate) according to the firm size. In the case of corporates, the emphasis is on statistically-developed financial ratings (evaluation of balance sheet information). Apart from the financial rating (hard facts), qualitative customer information (soft facts) also enters into the risk evaluation of corporate customers, which is updated at least once a year, or through behavioural components where feasible.

Expert-based models

For expert-based models, the empirical-statistical component targeting the default indicator is not as important – due to the lack of a sufficiently large population of customers in the respective customer segments or a sufficient number of defaulted customers – and is replaced by external ratings as modelling target (e.g. Bank Rating, Group Large Corporate or Country Rating) or at least assisted by expert know-how, which takes into account quantitative criteria (e.g. financial information), qualitative criteria (e.g. market and industry developments) and macro-economic factors.

By helping to assess the specific debtor- and business-specific features, this expert knowledge makes an important contribution to the rating models mainly for the following customer segments: specialised lending, banks and sovereigns.

These rating models ensure a sound assessment of the debtor- and business-specific features, risk differentiation as well as precise and consistent quantitative risk estimates.

RATING METHODS

DISCLOSURE REQUIREMENTS Art. 452 (f) CRR

	Empirical-statistical model			Expert-based model			
Exposure class/rating method	Rating Private Individuals	Rating SME	Rating Corporates	Rating Specialised Lending	Bank Rating	Country Rating	External ratings (ECAIs)
Retail	•	•					
Corporate incl. SME, SL		•	•	•	•		
Institutions					•		
Central government and central banks						•	
Equity			•		•		
Securitisations							•
Other assets							

Table 35: Exposure classes of the IRB Approach and applied rating methods (Art. 452 (f) CRR)

The rating methods Bank Rating and Country Rating are used as centralised methods throughout Erste Group without any regional modifications. The rating grades are determined by Erste Group centrally and made available to the Group companies. Also the corporate rating models Group Corporates and Group Large Corporates are centrally developed, but the rating assignment process is carried out locally.

Other rating methods (Rating Private Individuals, Rating SME, Corporate and Rating Specialised Lending (Rating SL)) follow uniform modelling guidelines and – where possible – model structures, and feature regional adaptations appropriate to the respective portfolios in the individual Group companies.

Rating Private Individuals

Classification
Customers are assigned to the rating method Rating Private Individuals according to their occupational status.

Development
The rating method Rating Private Individuals was developed by experts at Erste Group as an empirical-statistical model. The variants used at the various subsidiaries were developed locally, making it possible to take local specifics into account. The rating method is applied in case of applications for a financing decision (e.g. new loan applications) and automatically within the monthly update of customer ratings.

Rating determinants
The rating model assigns scores based on demographic information, account data, product attributes as well as external data (e.g. information supplied by Kreditschutzverband, an Austrian creditor protection association, or other credit reference agencies). The assessment of account behaviour is performed monthly and provides an essential input for timely risk assessment. Analyses done in the case of applications take into account not only the input factors for the rating, but also the current customer information on their income and expenditure.

Outputs of the rating process
Based on a scorecard, every private individual is assigned a rating grade on a rating scale of 8 grades. The customers with rating grade A1 have the lowest and customers with rating grade D2 have the highest PD. The customer rating serves as the basis for the calculation of capital requirements and plays an essential role for the credit decision and the lending terms. Private individual ratings derived from the analysis of the loan application, which includes all loans granted and applied for, are an integral part of the decision recommendation. Rating grades of customers are updated at the monthly reappraisal of account behaviour. The monthly processing of customer and account data is also the basis for the early warning system. The early warning list supplies account managers with valuable information on current risk assessments and also contains private individuals of substandard creditworthiness because of specific customer or account features. Such customers may include, for example, those with regular overdrafts or customers that have been sent reminders.

Rating SME

Classification
The rating method Rating SME (incl. small commercial customers and independent professionals) is applied to SMEs with sales revenues of up to EUR 5 million as well as to independent professionals.

Development
Statistically-derived rating models are used in all subsidiaries. Ratings for SME customers and independent professionals must be determined taking into account the financial situation before and after the financing being applied for. This Basel requirement is complied

with by means of an online rating initiated manually for determining the current rating grade and the rating in the case of a loan application (rating by type of financing). In addition to the online rating, there is also a monthly batch rating in which the current rating grade is determined based on behaviour. This automatically updates the rating grade (based on an evaluation of account behaviour and any available external information).

Rating determinants

According to differences in income patterns, the method is broken down into three sub-groups: customers using double-entry book-keeping, customers using single-entry book-keeping and customers using simplified accounting. Depending on these accounting types, the following four rating determinants apply:

- **Financial factors:** A financial rating is calculated either from balance sheet information (double-entry book-keeping customers), the statement of income and expenses (single-entry book-keeping customers) or a debt ratio (simplified accounting).
- **Qualitative factors:** Qualitative factors make it possible to take into account input factors that cannot be derived directly from financial statements. Examples are management, accounting practices, market and its trends, and external information (credit bureau notifications).
- **Account behaviour:** Particular attention is paid to account behaviour, which is automatically assessed and updated on a monthly basis. The evaluation considers and scores, for example, the incidence of payment difficulties, account balances and the extent to which available credit and overdraft facilities are used.
- **Creditworthiness based on cash flow considerations:** Finally, the ability to service debts is evaluated based on the disposable income.

Outputs of the rating process

Based on the score, every SME or professional customer is assigned a rating grade on a scale of 13 grades. In a last step of the rating assignment process, human judgement in the sense of rating overrides is possible to a limited extent. The customer rating serves as the basis for determining the regulatory capital requirement, as an indicator for the credit decision and as a factor in the credit terms and conditions.

Rating Corporates

Classification

Corporates, i.e. commercial customers with sales revenues above specified thresholds, are rated by the “Rating Corporates” method. Within the corporate segment, a further size differentiation exists (Corporate, Group Corporate and Group Large Corporate). In addition, some locally specific corporate rating methods exist adapted to the nature of certain portfolio segments.

Development

The new corporate rating model landscape is in use since October 2022. All models are placed on an empirical-statistical foundation. The Group Corporate and Group Large Corporate rating models are developed centrally, the latter uses external ratings as a modelling target.

Rating determinants

The assignment of ratings for corporates is done systematically both with respect to information on past developments as well as future prospects, with special attention being paid to the relevant customer segment (e.g. whether the customers’ business is capital goods intensive) and the characteristics of the relevant markets (e.g. divergent accounting rules in Eastern European countries).

Rating Corporates is a two-stage process including the assignment of individual customer ratings and group ratings.

- Individual customer rating: The cornerstone is the evaluation of the company’s financials. Based on ratios from the financial statements, a so-called “financial rating” (hard facts) is calculated. This financial rating also takes into account local factors based on the country where the company has its registered office. Another component for rating corporates is qualitative factors (soft facts). Unlike the hard facts that enter into the financial rating, these soft facts also include projections into the future. A company’s potential, opportunities and risks are determined, evaluated and documented according to a standardised procedure. Finally, in several Corporate models, a component assessing the account behaviour is included.
- Group rating: In a second step, the company is considered within the context of a Group of companies that form an economic unit. The capacity and the willingness to provide support are analysed, which may have a positive influence on the individual customer rating. Additionally, the Group’s rating is the cap for the rating of the individual customer. Rating caps also result from country ratings.

Outputs of the rating process

Based on the score, every corporate is assigned a rating grade on a scale of 13 grades. In a last step of the rating assignment process, human judgement in the sense of rating overrides is possible to a limited extent. The customer rating serves as the basis for determining the regulatory capital requirement, as an indicator for the credit decision and as a factor in the credit terms and conditions.

Rating Specialised Lending

Classification

The Corporates customer category includes the specialised lending customer segment. These are mainly income-producing real estate projects (e.g. rental, tourism and for-sale properties) and other project financing (e.g. power plants, infrastructure).

Development

The rating methods follow the Supervisory Slotting Approach and respective regulatory requirements. Hence, their development relies on human judgement but is backed with extensive data analysis.

Rating determinants

Both the hard facts (financial ratios) and the soft facts differ substantially from the rating for general corporates. The indicators include the loan-to-value and the debt service coverage ratio, features of the object financed (e.g. location quality) and project risks.

Outputs of the rating process

The model output are the regulatory risk categories in the Supervisory Slotting Approach within the IRB Approach. These categories are the basis for the calculation of the capital requirement. Human judgement in the sense of rating overrides is possible to a limited extent.

Bank Rating

Classification

The rating method "Banks" is used to evaluate foreign and domestic banks, investment banks as well as financial institutions belonging to banking groups.

Development

The Bank Rating model is developed centrally and placed on an empirical-statistical foundation, using external ratings as a modelling target.

Rating determinants

The Bank Rating combines quantitative (i.e. financial ratios reflecting profitability, liquidity, asset quality or size), qualitative (i.e. soft facts) and country-specific (i.e. related to the banking environment in the customer's home country) criteria to arrive at a rank ordering.
In addition, if applicable, the customer is considered within the banking group it is belonging to. The capacity and the willingness for this banking group to provide support to the customer as well as the possibility of government support are analysed, which may have a positive influence on the individual customer rating. Additionally, the banking group's rating and the Country Rating of the customer's home country represent caps for the rating of the individual customer.

Outputs of the rating process

Based on the score achieved in the rating model, every customer from the Bank Rating segment is assigned a rating grade on a scale of 13 grades. In a last step of the rating assignment process, human judgement in the sense of rating overrides is possible to a limited extent. The rating serves as the basis for the calculation of the limit for the maximum exposure that the bank is prepared to enter into with a given customer. The rating grade must be stated in every limit and credit application. After approval of the rating, the rating grade is made available to all member institutions of Erste Group.

Sovereign Rating

Classification

The rating method Sovereign Rating is a rating for the sovereign and covers central governments, central banks and public sector entities guaranteed by the central government. In addition, the sovereign rating is also the basis for the country rating ("cross-border risk").

Development

For the predominant part, the rating method Sovereign Rating is placed on a statistical foundation and uses external ratings as a modelling target. The rating reflects the risk of a default in foreign currency and thus primarily represents the transfer risk (risk arising from cross-border transactions). The sovereign ratings are determined centrally by Erste Group with binding effect for the entire Group (generally quarterly, at least once a year) and are made available to the Group entities.

Rating determinants

Two groups of countries are distinguished in the modelling: industrialised and emerging markets. The reason for the distinction is that foreign debt and debt service play an important role in emerging markets but are of minor importance as indicators in established industrialised countries. Both models combine quantitative (i.e. economic) and qualitative (e.g. judgement on financial fragility, political risk or structure of debt) information to arrive at a rank ordering.

Outputs of the rating process

Based on the score achieved in the rating model, every customer from the Sovereign Rating segment is assigned a rating grade on a scale of 13 grades. In a last step of the rating assignment process, expert judgement in the sense of rating overrides is possible to a limited extent. The sovereign rating assigned is a key factor for determining the limits for sovereigns (“issuer rating”) and countries (“cross-border risk rating”). Usually, the country rating also serves as a cap for the assessment of the companies located in a given country (“country ceiling”).

External ratings (ECAIs)

External ratings are used for securitisations only.

RATING PROCESS

Mandatory elements of any rating process are defined group-wide. These include:

_ A definition of persons who are authorised to assign ratings;
_ A definition of rating and re-rating triggers;
_ The rating approval process;
_ A regulation of manual override of a rating;
_ General principles of the 3rd party support;
_ Mandatory conservatism in the application in case of missing or outdated risk information;
_ A synchronization process for ratings of the same client in different entities.

Rating by the selected method

Decentralised methods

Under the decentralised methods – Rating Private Individuals, Rating SME, Rating Corporates, and Rating SL – the input data needed for the rating is entered into the IT system by the account manager or the risk manager or is inferred from historical data on payment and account behaviour. The result is a computer-assisted rating grade.

Centralised methods

The centralised approaches are the rating methods Bank Rating and Sovereign Rating. The input data is captured by central specialised departments; the process results in an internal rating grade.

Rating confirmation by risk management

As a main principle, the rating determined based on any of these methods must be confirmed by the risk management function. The only exceptions are certain assets in the retail portfolio, where the risk management decision may be derived from an automation-assisted rating result (unless this is manually overridden).

CONTROL MECHANISMS FOR RATING SYSTEMS AND KEY ROLES AND RESPONSIBILITIES IN RATING SYSTEM LIFE-CYCLE

DISCLOSURE REQUIREMENTS Art. 452 (c) (d) (e) CRR

CONTROL MECHANISMS FOR RATING SYSTEMS

Independent validation

The central Model Validation unit independently challenges credit risk models and makes certain that all credit risk models used within Erste Group are fit for purpose. Every new IRB model developed must be validated prior to use by the Model Validation unit and on regular basis after its implementation.

The rating models are regularly validated by Model Validation unit by means of a standardised validation process carried out annually. An updated validation methodology was approved and implemented in 2021. The new validation methodology comprises the following validation areas:

_ validation of the conceptual soundness of the model;
_ validation of the model performance;
_ validation of the ongoing model use.

The validation areas consist of the qualitative and quantitative tests with clear and objective assessment criteria. All validation outcomes are submitted to a respective committee for review, discussion and final decision on the validation findings and remediation plans, if necessary.

Regular Monitoring

Central Model Monitoring unit in Holding ensures quarterly control over the performance of the IRB credit risk models used in the Erste Group. The central monitoring unit as well as the process behind remain completely independent of the validation process and unit but the analyses conducted in the course of the monitoring is methodologically aligned with those used in the validation.

Review of Estimates

To ensure optimum model performance and that models reflect latest available data, all models and risk parameters are subject to the review of estimates process. The review of estimates is conducted at least annually with the main element to judge whether existing risk parameters are still appropriate or shall be updated with re-calibrated parameters that include latest available data. Apart from the parameter re-calibration (or re-estimation of the model, where applicable), the analyses conducted in the course of the review of estimates are methodologically aligned with those of validation and monitoring activities.

Review of the rating system assignment

The usage of rating method is determined depending on the customer classification:

_ retail;
_ corporates;
_ banks;
_ sovereigns.

Every customer is assigned to a specific rating method. This allocation process is highly automated to keep the percentage of manual decisions as low as possible. It includes a number of checks executed by the IT system, e.g. the permanent monitoring of the criteria occupational status, operating income, legal form and industry code, which are needed for the automated allocation of rating methods to customers.

The checks conducted by the system for plausibility and correct completion of the data entry fields inform the user of any errors by sending a warning or error message. Ensuring data quality is done by special periodic evaluations. The responsibility for the correct application of the rating methods and correct data entry ultimately lies with the local level, from the account managers to the persons responsible in operative risk management departments.

KEY ROLES AND RESPONSIBILITIES IN RATING SYSTEM LIFE-CYCLE

Model Development

The main principle of model development (incl. changes to the models and reviewing the estimates) is a “subsidiarity approach”. It means that as a rule, responsibilities are assigned to the lowest level that can effectively execute, i.e.:

- Model development is executed by local banks for their local models locally;
- All group-wide models are developed by the Holding.

The Holding is responsible to set standards for the development of all models, monitor their effective implementation and provides methodological support and advice to ensure consistency within the Group. A subsidiarity model for model development is therefore balancing development efforts between the Holding and local banks and is simplifying tailoring of approaches to local requirements and data situation. This design fosters local acceptance and ownership and facilitates involvement of local experts and business stakeholders.

Model Validation

Model validation is organized in a “Hub-and-Spoke” model, which means that all validation responsibilities are bundled within the Holding validation unit, but local banks remain responsible for the sign-off of the results and for taking appropriate remediation action when necessary. Such design ensures independence and control of model validation, as well as enforce adherence to uniform standards. The local responsibility for sign-off implicitly requires local understanding of the validation results and of the actions required for the remediation.

Model Approval

Model approval is carried out via a dual approval model approach - corresponding Holding and Local Model Committee structures to reflect responsibilities depending on model perimeter. Topics which are affecting the Group (e.g. group-wide aspects, local models used for P1/P2 group consolidated purposes etc.) are approved in line with dual approval principle (local pre-approval, followed by SREC/SRMC-approval). The ultimate responsibility for models used within the Group (at consolidated level) lies with the Group CRO. Notwithstanding this, locally developed and used models (including local “usage” of group-wide models) are within the responsibility of the respective local CROs. A formal process of local approval and Holding acknowledgement is implemented via a tailored committee structure. This setup for model approval reflects ownership requirements across Group entities.

Model Monitoring

- Model monitoring also follows a subsidiary approach:
- The Holding monitors Pillar 1 credit risk models centrally, sets monitoring standards and oversees the monitoring execution;
- Local units are responsible for local model monitoring outcomes.

This operating model for model monitoring fosters harmonization with model validation and ensures close local oversight and understanding of models through proximity to local business and local use of models. Holding remains responsible for setting the standards and approach for model monitoring to ensure a consistent application throughout the Group. This enables group-wide oversight and benchmarking of similar models across the Group, as well as appropriate reporting at both levels.

Internal Audit

Internal audit or another comparable independent auditing unit shall review at least annually the institution's rating systems and its operations, including the operations of the credit function and the estimation of PDs, LGDs, ELs and conversion factors (according to Article 191 CRR).

In order to allow an objective assessment, the internal audit function is granted an adequate level of independence from the reviewed processes and units in order to ensure that (according to ECB Guide to Internal Models – General Topics, Chapter 1.7):

- there is an effective separation between the staff performing the internal audit function and the staff involved in the operation of the internal models: model development, model validation and the relevant business areas;
- the internal audit reports directly to the management body; and
- no undue influence is exerted on the staff responsible for the audit conclusions.

Independence between internal audit and risk management functions is ensured by the separation up to the board level (audit - CEO, risk management - CRO). Ensuring that internal audit provides independent and objective assurance on risk management is vital for risks to be managed effectively.

Audit's assessment includes a confirmation of the fulfilment of tasks of quantitative nature performed by the units responsible for development and initial validation of the rating model(s) according to CRR (Article 191), EBA/RTS/2016/03 (Article 17) and internal requirements.

Reporting related to credit risk models

Group-wide Credit Risk Models & Credit RWA Report is an internal report dedicated to monitoring internal IRB credit risk rating models. The report is produced with quarterly frequency and regularly presented to senior management, in particular Strategic Risk Management Committee. The topics covered by the report include but not limited to: development of model parameters and their drivers, risk profile by rating grades, rating migrations, RWA development, data quality, rating process monitoring.

DEFINITIONS, METHODS, AND DATA FOR THE ESTIMATION AND VALIDATION OF THE RISK PARAMETERS

DISCLOSURE REQUIREMENTS Art. 452 (f) (h) CRR

Probability of default

The PD represents the probability that a given customer will default within the subsequent twelve-months period (one-year PD). The PD is estimated internally for the portfolios Retail, Corporates, Banks and Sovereigns.

The PD estimation methodology approved and implemented in December 2019 for most rating systems in Erste Group Bank AG is in line with recently issued regulatory guidance and its resulting PDs shall reflect long-run average default rates on rating grade level. Additionally, when estimating PD, a margin of conservatism is added for each portfolio in order to ensure a conservative estimate as per IRB Approach standards. The regulatory floors on the minimal level of PD are applied. The difference between PDs and actual default rates arise due to long term-average nature of PDs and conservative margins defined in the regulation that are applied in the PD estimation.

The validation of the PDs employs both qualitative and quantitative tests within the following validation areas:

- validation of the conceptual soundness of the model;
- validation of the model performance;
- validation of the ongoing model use.

In the quantitative validation, the estimated PDs are challenged with several quantitative tests such as accuracy of the risk parameter prediction, soundness of the calibration method, long-term stability as well as performance of the final estimates. Qualitative tests comprise quality of the model documentation, sampling process, representativeness of the data used, conceptual soundness of modelling approaches as well as all model use aspects. The final validation outcomes are documented in the validation report together with the respective validation findings, if necessary. The same also applies to the risk parameters LGD and CCF described below.

The table below shows the average PDs per exposure asset classes compared to observed average default rate and average historical annual default rate based on minimum 5 years of history. The exposure classes where Erste Group doesn't have exposures are omitted from the overview.

Retail - Secured by immovable property SME

PD range	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	11,263	7	0.06%	0.08%	0.07%	0.11%
0.00 to <0.10	6,739	3	0.04%	0.07%	0.05%	0.16%
0.10 to <0.15	4,524	4	0.09%	0.11%	0.10%	0.13%
0.15 to <0.25	5,052	20	0.40%	0.20%	0.20%	0.15%
0.25 to <0.50	8,311	52	0.63%	0.39%	0.38%	0.47%
0.50 to <0.75	3,556	31	0.87%	0.69%	0.67%	0.70%
0.75 to <2.50	5,261	47	0.89%	1.51%	1.47%	0.87%
0.75 to <1.75	2,584	13	0.50%	1.01%	1.03%	0.77%
1.75 to <2.5	2,677	34	1.27%	1.99%	1.89%	1.04%
2.50 to <10.00	8,894	166	1.87%	5.32%	4.43%	2.18%
2.5 to <5	7,643	129	1.69%	4.06%	3.96%	1.97%
5 to <10	1,251	37	2.96%	6.57%	7.36%	2.84%
10.00 to <100.00	2,247	217	9.66%	21.53%	23.53%	9.71%
10 to <20	789	55	6.97%	16.76%	16.14%	7.21%
20 to <30	1,226	131	10.69%	22.96%	24.25%	10.82%
30.00 to <100.00	232	31	13.36%	43.53%	44.85%	19.39%
100.00 (Default)	1,917	-	0.00%	100.00%	100.00%	0.00%

Table 36: Back-testing of PD per exposure class – A-IRB Retail secured by immovable property SME (Art. 452 (h) CRR, CR9 (EU) 2021/637)

Retail - Secured by immovable property non-SME

PD range	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	272,178	236	0.09%	0.07%	0.08%	0.08%
0.00 to <0.10	107,247	62	0.06%	0.05%	0.05%	0.08%
0.10 to <0.15	164,931	174	0.11%	0.10%	0.10%	0.05%
0.15 to <0.25	145,030	133	0.09%	0.20%	0.20%	0.09%
0.25 to <0.50	142,306	363	0.26%	0.41%	0.41%	0.26%
0.50 to <0.75	56,972	109	0.19%	0.59%	0.59%	0.28%
0.75 to <2.50	94,669	492	0.52%	1.50%	1.58%	0.60%
0.75 to <1.75	44,642	236	0.53%	1.38%	1.33%	0.58%
1.75 to <2.5	50,027	256	0.51%	1.80%	1.80%	0.85%
2.50 to <10.00	34,599	831	2.40%	5.81%	5.78%	2.53%
2.5 to <5	19,325	291	1.51%	4.11%	4.26%	1.49%
5 to <10	15,274	540	3.54%	7.83%	7.70%	3.76%
10.00 to <100.00	12,385	1,575	12.72%	23.60%	27.64%	11.79%
10 to <20	6,511	486	7.46%	15.61%	16.84%	7.18%
20 to <30	2,321	300	12.93%	25.32%	27.83%	12.92%
30.00 to <100.00	3,553	789	22.21%	44.09%	47.32%	18.41%
100.00 (Default)	11,312	-	0.00%	100.00%	100.00%	0.00%

Table 37: Back-testing of PD per exposure class – A-IRB Retail secured by immovable property non-SME (Art. 452 (h) CRR, CR9 (EU) 2021/637)

Retail - Other SME

PD range	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	46,105	31	0.07%	0.07%	0.07%	0.08%
0.00 to <0.10	28,920	17	0.06%	0.05%	0.05%	0.09%
0.10 to <0.15	17,185	14	0.08%	0.11%	0.10%	0.08%
0.15 to <0.25	33,907	79	0.23%	0.21%	0.21%	0.13%
0.25 to <0.50	33,620	127	0.38%	0.38%	0.37%	0.28%
0.50 to <0.75	14,684	111	0.76%	0.61%	0.65%	0.56%
0.75 to <2.50	27,929	397	1.42%	1.41%	1.50%	0.92%
0.75 to <1.75	14,469	102	0.71%	1.11%	1.11%	0.73%
1.75 to <2.5	13,460	295	2.19%	1.96%	1.91%	1.39%
2.50 to <10.00	52,296	1,569	3.00%	4.98%	4.64%	2.62%
2.5 to <5	42,755	1,174	2.75%	4.03%	4.01%	2.36%
5 to <10	9,541	395	4.14%	6.65%	7.44%	2.98%
10.00 to <100.00	65,855	4,352	6.61%	22.10%	45.64%	7.35%
10 to <20	9,662	906	9.38%	15.81%	14.78%	8.94%
20 to <30	6,035	841	13.94%	25.47%	25.35%	13.66%
30.00 to <100.00	50,158	2,605	5.19%	45.18%	54.02%	5.65%
100.00 (Default)	11,345	-	0.00%	100.00%	100.00%	0.00%

Table 38: Back-testing of PD per exposure class – A-IRB Retail other SME (Art. 452 (h) CRR, CR9 (EU) 2021/637)

Retail - Other non-SME

PD range	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	1,517,769	955	0.06%	0.06%	0.06%	0.05%
0.00 to <0.10	1,088,726	639	0.06%	0.05%	0.05%	0.05%
0.10 to <0.15	429,043	316	0.07%	0.10%	0.10%	0.05%
0.15 to <0.25	541,841	764	0.14%	0.20%	0.20%	0.13%
0.25 to <0.50	983,501	4,001	0.41%	0.43%	0.42%	0.42%
0.50 to <0.75	153,522	247	0.16%	0.59%	0.58%	0.14%
0.75 to <2.50	925,683	10,722	1.16%	1.48%	1.46%	1.09%
0.75 to <1.75	710,153	8,135	1.15%	1.38%	1.32%	1.10%
1.75 to <2.5	215,530	2,587	1.20%	1.94%	1.92%	1.64%
2.50 to <10.00	409,734	16,174	3.95%	5.70%	5.56%	3.89%
2.5 to <5	184,396	5,435	2.95%	4.22%	4.09%	2.61%
5 to <10	225,338	10,739	4.77%	6.87%	6.76%	5.11%
10.00 to <100.00	303,982	32,672	10.75%	24.55%	28.92%	8.01%
10 to <20	102,176	10,198	9.98%	15.99%	14.77%	8.18%
20 to <30	48,320	7,702	15.94%	26.30%	27.19%	9.58%
30.00 to <100.00	153,486	14,772	9.62%	43.34%	38.88%	7.32%
100.00 (Default)	91,055	-	0.00%	100.00%	100.00%	0.00%

Table 39: Back-testing of PD per exposure class – A-IRB Retail other non-SME (Art. 452 (h) CRR, CR9 (EU) 2021/637)

Central governments and central banks

PD range	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	136	-	0.00%	0.04%	0.04%	0.00%
0.00 to <0.10	136	-	0.00%	0.04%	0.04%	0.00%
0.10 to <0.15	-	-	0.00%	0.00%	0.00%	0.00%
0.15 to <0.25	78	-	0.00%	0.21%	0.21%	0.00%
0.25 to <0.50	34	3	8.82%	0.00%	0.49%	1.67%
0.50 to <0.75	-	-	0.00%	0.50%	0.00%	0.00%
0.75 to <2.50	69	-	0.00%	1.52%	1.31%	0.00%
0.75 to <1.75	43	-	0.00%	1.03%	1.03%	0.00%
1.75 to <2.5	26	-	0.00%	1.79%	1.78%	0.00%
2.50 to <10.00	150	9	6.00%	3.24%	7.24%	3.33%
2.5 to <5	36	-	0.00%	3.11%	3.15%	0.00%
5 to <10	114	9	7.89%	6.71%	8.53%	6.08%
10.00 to <100.00	23	5	21.74%	40.56%	38.15%	19.95%
10 to <20	-	-	0.00%	0.00%	0.00%	14.58%
20 to <30	-	-	0.00%	0.00%	0.00%	0.00%
30.00 to <100.00	23	5	21.74%	40.56%	38.15%	14.35%
100.00 (Default)	3	-	0.00%	100.00%	100.00%	0.00%

Table 40: Back-testing of PD per exposure class – F-IRB Central governments and central banks (Art. 452 (h) CRR, CR9 (EU) 2021/637)

Institutions

PD range	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	1,881	-	0.00%	0.07%	0.07%	0.01%
0.00 to <0.10	1,491	-	0.00%	0.07%	0.06%	0.02%
0.10 to <0.15	390	-	0.00%	0.10%	0.10%	0.00%
0.15 to <0.25	464	-	0.00%	0.16%	0.17%	0.05%
0.25 to <0.50	283	-	0.00%	0.31%	0.30%	0.07%
0.50 to <0.75	133	2	1.50%	0.57%	0.52%	0.19%
0.75 to <2.50	234	-	0.00%	1.14%	1.32%	0.09%
0.75 to <1.75	206	-	0.00%	1.14%	1.22%	0.00%
1.75 to <2.5	28	-	0.00%	1.88%	2.04%	0.65%
2.50 to <10.00	189	-	0.00%	4.82%	3.68%	0.00%
2.5 to <5	139	-	0.00%	4.81%	2.83%	0.00%
5 to <10	50	-	0.00%	7.21%	6.04%	0.00%
10.00 to <100.00	34	1	2.94%	22.04%	36.68%	0.82%
10 to <20	8	-	0.00%	16.63%	14.38%	0.00%
20 to <30	5	-	0.00%	26.60%	26.54%	0.22%
30.00 to <100.00	21	1	4.76%	40.59%	47.59%	1.67%
100.00 (Default)	1	-	0.00%	100.00%	100.00%	0.00%

Table 41: Back-testing of PD per exposure class – F-IRB Institutions (Art. 452 (h) CRR, CR9 (EU) 2021/637)

Corporates - SME

PD range	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	2,661	3	0.11%	0.07%	0.07%	0.13%
0.00 to <0.10	1,668	2	0.12%	0.06%	0.06%	0.22%
0.10 to <0.15	993	1	0.10%	0.11%	0.10%	0.02%
0.15 to <0.25	2,375	4	0.17%	0.19%	0.19%	0.18%
0.25 to <0.50	3,682	5	0.14%	0.37%	0.38%	0.19%
0.50 to <0.75	2,946	7	0.24%	0.65%	0.61%	0.32%
0.75 to <2.50	8,295	62	0.75%	1.41%	1.42%	0.91%
0.75 to <1.75	5,723	37	0.65%	1.05%	1.13%	0.79%
1.75 to <2.5	2,572	25	0.97%	2.05%	2.05%	1.21%
2.50 to <10.00	9,016	197	2.19%	4.39%	4.89%	2.38%
2.5 to <5	5,750	97	1.69%	3.75%	3.64%	2.05%
5 to <10	3,266	100	3.06%	6.76%	7.09%	3.03%
10.00 to <100.00	3,805	162	4.26%	19.27%	38.04%	5.63%
10 to <20	1,048	61	5.82%	14.44%	15.82%	5.35%
20 to <30	544	23	4.23%	28.52%	26.94%	7.16%
30.00 to <100.00	2,213	78	3.52%	36.55%	51.30%	5.62%
100.00 (Default)	1,415	-	0.00%	100.00%	100.00%	0.00%

Table 42: Back-testing of PD per exposure class – F-IRB Corporate SME (Art. 452 (h) CRR, CR9 (EU) 2021/637)

Corporates - Other

PD range	Number of obligors at the end of the year	of which: number of obligors which defaulted during the year	Observed average default rate (%)	Exposures weighted average PD (%)	Average PD (%)	Average historical annual default rate (%)
0.00 to <0.15	3,089	2	0.06%	0.08%	0.07%	0.06%
0.00 to <0.10	2,831	2	0.07%	0.06%	0.07%	0.05%
0.10 to <0.15	258	-	0.00%	0.12%	0.10%	0.15%
0.15 to <0.25	2,270	1	0.04%	0.21%	0.18%	0.06%
0.25 to <0.50	3,244	7	0.22%	0.37%	0.35%	0.23%
0.50 to <0.75	2,640	1	0.04%	0.65%	0.64%	0.13%
0.75 to <2.50	2,408	9	0.37%	1.35%	1.59%	0.68%
0.75 to <1.75	1,493	6	0.40%	1.13%	1.29%	0.63%
1.75 to <2.5	915	3	0.33%	2.14%	2.08%	0.88%
2.50 to <10.00	5,348	37	0.69%	4.57%	5.70%	0.92%
2.5 to <5	2,311	21	0.91%	3.33%	3.90%	1.00%
5 to <10	3,037	16	0.53%	7.03%	7.07%	0.88%
10.00 to <100.00	7,311	66	0.90%	21.54%	46.51%	0.92%
10 to <20	267	13	4.87%	13.56%	14.73%	2.50%
20 to <30	540	6	1.11%	22.89%	24.26%	0.95%
30.00 to <100.00	6,504	47	0.72%	34.26%	49.67%	0.69%
100.00 (Default)	498	-	0.00%	100.00%	100.00%	0.00%

Table 43: Back-testing of PD per exposure class – F-IRB Corporate other (Art. 452 (h) CRR, CR9 (EU) 2021/637)

Loss given default

For Pillar 1 purposes, LGD is estimated at Erste Group only for the retail portfolio, i.e. for private individuals and retail SMEs. LGD is defined as the expected economic loss on defaulted exposures after recoveries (from collateral and other repayments) as a percentage of EAD, modelled on pool level based on the decomposition of the total LGD in a cure rate component and loss rate components for both liquidated and cured exposures. The cure rate component is estimated via a logistic regression, while the estimation of the loss given liquidation relies on linear regression. For each of the pools, which are defined as homogeneous segments by product, client segment and exposure, a separate risk differentiation is derived. For the purpose of estimation, no further recoveries are assumed for an exposure after a maximum period of time in workout that is defined on pool level based on an analysis of closed workout cases and the recovery curve. Depending on credit exposure, LGD is then calculated taking into account proportionately allocated costs, a margin of conservatism as well as an add-on to properly reflect economic downturn conditions. The LGD for default exposures is determined as an estimation of the best estimate of expected losses (ELbe) and an add-on capturing the downturn adjustment and margin of conservatism. The ELbe modelling uses the same methodology as the LGD modelling, additionally considering the different times in default to reflect changes to the loss given liquidation and cure rate.

The validation of the LGD models is performed by the independent validation function once a year, using both qualitative and quantitative tests within the following validation areas:
_ validation of the conceptual soundness of the model;
_ validation of the model performance;
_ validation of the ongoing model use.

The table below shows the LGD back-testing results for defaulted customers at Group level on the long-term number-weighted average. All defaults over a period of at least 10 years from internal validation reports were considered in the back-testing analysis. The estimated LGDs were higher than the observed value for all sub-classes of the retail exposure class, indicating the conservativeness of the estimates. The difference compared to the previous year is driven by the newly developed and implemented model which used number-weighted estimates.

Asset class	Average LGD estimates	Average annual observed LGD
Retail	39.96%	29.32%
there of SME	39.37%	21.96%
there of Private Individuals	40.14%	31.66%

Table 44: Back-testing LGD (Art. 452 (f) (ii) CRR)

For Pillar 1 purposes, the CCF is estimated internally only for the retail portfolio and jointly for private individuals and SMEs. It is defined as the expected drawdown of off-balance sheet, non-derivative positions within twelve months on the condition that the customer defaults within this period. EAD represents current drawings plus the off-balance sheet non-derivative positions (that is, the available undrawn credit amount) multiplied by the CCF. The CCF is estimated in a two-stage process: In the first step, empirical conversion rates are determined based on the data collected on defaulted customers. The conversion rate represents the relationship between the net credit increase from the reference date to the default date, on the one hand, and the available undrawn credit at the reference date on the other hand. The reference date is the date one year before default. The second step consists of the identification of risk drivers and, based on this, the segmentation and the estimation of the CCF for each homogeneous segment. The estimates of CCFs are calculated by segment as the respective mean of all conversion rates per given segment over the entire period, plus a margin of conservatism for estimation error and, if applicable, an add-on to properly reflect economic downturn conditions.

The regular validation of the CCF risk parameter is performed by the independent validation function once a year, using both qualitative and quantitative methods:

_ review of the documentation;
_ review of the underlying model assumptions;
_ segmentation;
_ outlier rules;
_ use test;
_ approval of limits;
_ testing of data quality;
_ analysis of time series;
_ benchmarking.

Quantitative methods consist primarily of the comparison of actual and expected CCFs. Qualitative methods are large population distribution tests, such as analysis of raw data and time series analysis of defaults, of conversion rates and of exposure at the reference date.

The following table presents the results of back-testing at Group level over the time period of minimum 10 years based on the internal validation reports.

Asset class	Average CCF estimates	Average observed CCF
Retail	52.00%	38.36%
there of SME	50.32%	10.02%
there of Private Individuals	52.39%	45.01%

Table 45: Back-testing CCF (Art. 452 (f) (iii) CRR)

In the preceding period, Erste Group generally did not experience relevant or systematic impacts on average default rates, realized LGDs and realized conversion factors. The alignment of the definition of default with recent regulatory requirements in general only had a minor impact on default rates, confined to the retail segment.

Quantitative disclosure on credit risk – IRB Approach

DISCLOSURE REQUIREMENTS Art. 452 (g) (i-v) 453 (g) (j) 180(1) (f) CRR

IRB exposures included in counterparty credit risk, securitization and other assets are not covered by tables below, but within respective chapters.

With respect to exposures under IRB Approach, a breakdown is given below of the exposure classes of central governments and central banks, institutions, corporates and retail by PD scales. Equity exposures, specialised lending and other non-credit obligation assets are not subject to following tables.

Central governments and central banks

in EUR million

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
0.00 to <0.15	1,073.3	60.4	18.0%	1,189.0	0.0%	76	43.6%	3	178.6	15.0%	0.2	-0.1
0.00 to <0.10	1,073.3	60.4	18.0%	1,189.0	0.0%	76	43.6%	3	178.6	15.0%	0.2	-0.1
0.10 to <0.15	-	-	0.0%	-	0.0%	0	0.0%	0	-	0.0%	-	-
0.15 to <0.25	231.0	18.6	75.0%	256.2	0.2%	40	45.0%	3	123.8	48.3%	0.2	-0.1
0.25 to <0.50	-	-	0.0%	-	0.0%	0	0.0%	0	-	0.0%	-	-
0.50 to <0.75	52.9	-	0.0%	52.9	0.5%	32	45.0%	3	39.1	74.0%	0.1	-0.1
0.75 to <2.50	16.2	-	0.0%	11.3	1.5%	56	45.0%	3	12.5	111.3%	0.1	-0.0
0.75 to <1.75	8.9	-	0.0%	4.0	1.0%	29	45.0%	3	3.9	99.0%	0.0	-0.0
1.75 to <2.5	7.3	-	0.0%	7.3	1.8%	27	45.0%	3	8.6	117.9%	0.1	-0.0
2.50 to <10.00	147.8	-	0.0%	57.7	3.2%	80	45.0%	3	80.1	138.9%	0.8	-8.8
2.5 to <5	140.7	-	0.0%	55.6	3.1%	23	45.0%	3	76.5	137.5%	0.8	-7.9
5 to <10	7.1	-	0.0%	2.1	6.7%	57	45.0%	3	3.6	175.3%	0.1	-0.8
10.00 to <100.00	59.0	33.6	75.0%	2.7	40.6%	22	45.0%	3	6.9	253.2%	0.5	-23.2
10 to <20	-	-	0.0%	-	0.0%	0	0.0%	0	-	0.0%	-	-
20 to <30	-	-	0.0%	-	0.0%	0	0.0%	0	-	0.0%	-	-
30.0 to <100.0	59.0	33.6	75.0%	2.7	40.6%	22	45.0%	3	6.9	253.2%	0.5	-23.2
100.00 (Default)	10.3	-	0.0%	0.8	100.0%	12	45.0%	3	-	0.0%	0.3	-0.0
Subtotal (exposure class)	**1,590.5**	**112.5**	**0**	**1,570.6**	**0**	**318**	**0**	**0**	**441.1**	**28.1%**	**2.3**	**-32.3**
Total (all exposures classes)	**77,690.3**	**36,742.8**	**0**	**85,288.8**		**51,768**		**0**	**47,959.4**	**56.2%**	**1,063.5**	**-1,446.2**

Table 46: F-IRB Approach – Exposure class: Central governments and central banks by PD classes (Art. 452 (g) CRR, EU CR6-B (EU) 2021/637)

Institutions

in EUR million

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
0.00 to <0.15	4,956.5	1,064.7	40.3%	5,280.6	0.1%	1516	37.5%	3	1,411.0	26.7%	1.3	-1.0
0.00 to <0.10	4,955.5	1,064.7	40.3%	5,279.6	0.1%	1512	37.5%	3	1,410.8	26.7%	1.3	-1.0
0.10 to <0.15	1.0	-	0.0%	1.0	0.1%	4	28.3%	3	0.2	20.2%	0.0	-0.0
0.15 to <0.25	1,533.1	212.1	29.3%	1,368.2	0.2%	296	26.4%	3	420.4	30.7%	0.6	-0.7
0.25 to <0.50	3,257.0	117.6	41.3%	1,054.7	0.3%	272	31.1%	3	510.9	48.4%	1.1	-4.1
0.50 to <0.75	6.6	5.5	6.5%	4.9	0.6%	24	45.0%	3	3.8	78.5%	0.0	-0.0
0.75 to <2.50	267.3	38.9	57.3%	275.7	1.1%	137	30.1%	3	253.3	91.9%	1.0	-2.7
0.75 to <1.75	266.4	38.9	57.3%	274.8	1.1%	105	30.1%	3	252.1	91.8%	1.0	-2.7
1.75 to <2.5	1.0	-	0.0%	1.0	1.9%	32	45.0%	3	1.2	119.6%	0.0	-0.0
2.50 to <10.00	125.7	46.0	46.3%	35.0	4.8%	49	45.1%	3	63.3	180.7%	0.8	-2.5
2.5 to <5	125.5	46.0	46.3%	34.8	4.8%	45	45.1%	3	62.9	180.6%	0.8	-2.5
5 to <10	0.2	-	0.0%	0.2	7.2%	4	45.0%	3	0.4	196.4%	0.0	-0.0
10.00 to <100.00	1.5	0.2	99.4%	1.7	22.0%	43	44.7%	3	4.2	252.0%	0.2	-0.1
10 to <20	1.0	0.0	0.0%	1.0	16.6%	15	45.0%	3	2.4	242.1%	0.1	-0.1
20 to <30	0.3	0.2	0.0%	0.5	26.6%	5	44.1%	3	1.3	271.2%	0.1	-0.0
30.0 to <100.0	0.2	0.0	75.0%	0.2	40.6%	23	45.0%	3	0.5	257.9%	0.0	-0.0
100.00 (Default)	0.0	0.0	100.0%	0.0	100.0%	2	45.0%	3	-	0.0%	0.0	-0.0
Subtotal (exposure class)	**10,147.7**	**1,485.0**	**0**	**8,020.8**	**0**	**2,339**	**0**	**0**	**2,666.9**	**33.2%**	**4.9**	**-11.1**
Total (all exposures classes)	**77,690.3**	**36,742.8**	**0**	**85,288.8**		**51,768**		**0**	**47,959.4**	**56.2%**	**1,063.5**	**-1,446.2**

Table 47: F-IRB Approach – Exposure class: Institutions by PD classes (Art. 452 (g) CRR, EU CR6-B (EU) 2021/637)

Corporate SME

in EUR million

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
0.00 to <0.15	3,100.1	1,499.7	50.9%	3,720.5	0.1%	4056	38.8%	3	549.8	14.8%	1.1	-3.9
0.00 to <0.10	2,252.7	1,205.7	48.5%	2,715.8	0.1%	3058	38.7%	3	360.1	13.3%	0.7	-2.2
0.10 to <0.15	847.3	293.9	61.0%	1,004.7	0.1%	998	39.3%	3	189.7	18.9%	0.4	-1.6
0.15 to <0.25	2,123.2	879.0	45.2%	2,431.7	0.2%	2625	40.0%	3	679.9	28.0%	1.9	-4.8
0.25 to <0.50	2,771.6	1,189.1	43.9%	3,167.2	0.4%	2952	40.7%	3	1,269.3	40.1%	4.8	-7.3
0.50 to <0.75	2,281.3	958.9	45.4%	2,572.2	0.6%	2150	40.3%	3	1,312.5	51.0%	6.7	-10.5
0.75 to <2.50	5,940.5	2,101.7	45.0%	6,531.8	1.4%	6538	40.4%	3	4,213.2	64.5%	37.2	-38.9
0.75 to <1.75	3,765.8	1,490.9	43.0%	4,163.7	1.0%	4306	40.5%	3	2,506.9	60.2%	17.7	-19.1
1.75 to <2.5	2,174.7	610.8	50.0%	2,368.1	2.0%	2232	40.2%	3	1,706.3	72.1%	19.5	-19.8
2.50 to <10.00	4,881.7	1,567.5	39.4%	5,080.1	4.4%	6147	40.2%	3	4,410.6	86.8%	90.0	-139.9
2.5 to <5	3,788.2	1,170.8	42.0%	3,996.8	3.8%	4336	40.1%	3	3,300.2	82.6%	60.0	-89.9
5 to <10	1,093.5	396.7	31.9%	1,083.3	6.8%	1811	40.9%	3	1,110.4	102.5%	30.0	-49.9
10.00 to <100.00	898.2	240.2	42.2%	891.4	19.3%	4168	40.1%	3	1,245.9	139.8%	69.0	-71.7
10 to <20	653.1	176.0	40.4%	656.8	14.4%	1262	40.2%	3	876.7	133.5%	38.1	-46.4
20 to <30	104.3	25.4	0.0%	106.0	28.5%	542	38.7%	3	157.9	148.9%	11.7	-10.0
30.0 to <100.0	140.9	38.7	38.3%	128.6	36.6%	2364	40.7%	3	211.4	164.3%	19.2	-15.3
100.00 (Default)	802.6	87.1	44.4%	735.1	100.0%	1329	40.3%	3	-	0.0%	296.4	-387.1
Subtotal (exposure class)	**22,799.2**	**8,523.2**	**0**	**25,130.0**	**0**	**29,965**	**0**	**0**	**13,681.3**	**54.4%**	**507.1**	**-664.0**
Total (all exposures classes)	**77,690.3**	**36,742.8**	**0**	**85,288.8**		**51,768**		**0**	**47,959.4**	**56.2%**	**1,063.5**	**-1,446.2**

Table 48: F-IRB Approach – Exposure class: Corporate SME by PD classes (Art. 452 (g) CRR, EU CR6-B (EU) 2021/637)

Other Corporate

in EUR million

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after SME supporting factor	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
0.00 to <0.15	17,401.0	11,123.2	46.3%	21,666.3	0.1%	2572	41.9%	3	5,872.6	27.1%	7.2	-35.4
0.00 to <0.10	12,261.8	7,072.1	45.5%	14,879.8	0.1%	1943	41.5%	3	3,285.6	22.1%	3.7	-18.0
0.10 to <0.15	5,139.2	4,051.1	47.7%	6,786.5	0.1%	629	42.6%	3	2,587.1	38.1%	3.5	-17.4
0.15 to <0.25	6,169.5	3,682.2	33.8%	6,936.0	0.2%	5391	43.4%	3	3,501.9	50.5%	6.3	-13.2
0.25 to <0.50	5,937.3	4,221.3	29.3%	6,670.0	0.4%	1438	43.1%	3	4,558.7	68.3%	10.7	-24.6
0.50 to <0.75	2,831.7	1,991.0	38.0%	3,527.5	0.7%	914	42.7%	3	2,920.6	82.8%	9.8	-14.1
0.75 to <2.50	5,452.4	3,499.5	40.8%	6,422.8	1.3%	1353	43.4%	3	6,815.3	106.1%	37.4	-67.3
0.75 to <1.75	4,205.4	2,966.1	40.6%	5,006.6	1.1%	917	43.8%	3	5,163.2	103.1%	24.7	-39.7
1.75 to <2.5	1,247.0	533.4	41.5%	1,416.3	2.1%	436	41.9%	3	1,652.1	116.7%	12.7	-27.6
2.50 to <10.00	3,822.9	1,739.3	38.4%	3,836.6	4.6%	2160	43.2%	3	5,750.9	149.9%	75.5	-88.5
2.5 to <5	2,489.0	1,254.4	38.0%	2,554.7	3.3%	1213	43.2%	3	3,429.8	134.3%	36.6	-35.3
5 to <10	1,333.9	484.9	39.4%	1,281.9	7.0%	947	43.1%	3	2,321.2	181.1%	39.0	-53.3
10.00 to <100.00	724.7	251.5	33.5%	742.0	21.5%	4816	42.4%	3	1,749.9	235.8%	66.7	-75.2
10 to <20	394.8	154.3	29.4%	413.3	13.6%	838	42.4%	3	893.5	216.2%	23.8	-35.9
20 to <30	106.3	15.9	0.0%	80.5	22.9%	186	43.6%	3	220.8	274.4%	8.0	-9.2
30.0 to <100.0	223.6	81.3	42.7%	248.2	34.3%	3792	42.0%	3	635.6	256.1%	34.9	-30.1
100.00 (Default)	813.4	114.1	51.7%	766.2	100.0%	502	43.8%	3	-	0.0%	335.6	-420.4
Subtotal (exposure class)	**43,153.0**	**26,622.1**	**0**	**50,567.5**	**0**	**19,146**	**0**	**0**	**31,170.1**	**61.6%**	**549.1**	**-738.8**
Total (all exposures classes)	**77,690.3**	**36,742.8**	**0**	**85,288.8**		**51,768**		**0**	**47,959.4**	**56.2%**	**1,063.5**	**-1,446.2**

Table 49: F-IRB Approach – Exposure class: Other Corporate by PD classes (Art. 452 (g) CRR, EU CR6-B (EU) 2021/637)

Retail secured by real estate / SME

in EUR million

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
0.00 to <0.15	1,874.6	328.9	61.0%	2,075.4	0.1%	11036	21.3%	0	72.8	3.5%	0.4	-0.4
0.00 to <0.10	1,132.2	209.7	61.6%	1,261.3	0.1%	6778	21.5%	0	37.1	2.9%	0.2	-0.1
0.10 to <0.15	742.3	119.3	60.1%	814.1	0.1%	4258	21.1%	0	35.7	4.4%	0.2	-0.2
0.15 to <0.25	912.8	109.6	60.0%	978.6	0.2%	4738	22.7%	0	73.6	7.5%	0.5	-0.4
0.25 to <0.50	1,181.3	113.9	59.1%	1,248.7	0.4%	7309	21.6%	0	144.1	11.5%	1.1	-1.4
0.50 to <0.75	728.3	49.7	55.0%	755.6	0.7%	3738	25.6%	0	153.0	20.2%	1.3	-1.7
0.75 to <2.50	981.8	90.1	62.3%	1,038.0	1.5%	4548	28.8%	0	389.4	37.5%	4.4	-5.7
0.75 to <1.75	478.4	51.5	64.6%	511.7	1.0%	2393	30.4%	0	161.8	31.6%	1.6	-2.3
1.75 to <2.5	503.4	38.5	59.2%	526.2	2.0%	2155	27.3%	0	227.6	43.2%	2.8	-3.5
2.50 to <10.00	1,712.0	147.0	52.3%	1,788.9	5.3%	9182	25.4%	0	1,238.0	69.2%	24.0	-40.6
2.5 to <5	833.1	94.1	57.5%	887.2	4.1%	4133	26.5%	0	562.5	63.4%	9.5	-17.2
5 to <10	878.8	52.9	43.1%	901.6	6.6%	5049	24.4%	0	675.5	74.9%	14.5	-23.4
10.00 to <100.00	302.6	13.6	63.1%	311.1	21.5%	1713	30.3%	0	421.6	135.5%	20.3	-34.0
10 to <20	147.3	6.4	48.0%	150.3	16.8%	833	26.3%	0	171.9	114.4%	6.4	-8.1
20 to <30	132.3	6.5	75.6%	137.2	23.0%	695	33.8%	0	213.7	155.8%	10.3	-20.1
30.0 to <100.0	23.0	0.8	84.4%	23.6	43.5%	185	34.8%	0	36.0	152.1%	3.6	-5.8
100.00 (Default)	260.2	5.6	55.4%	263.3	100.0%	1621	42.2%	0	61.4	23.3%	106.8	-56.7
Subtotal (exposure class)	**7,953.6**	**858.4**	**0**	**8,459.6**	**0**	**43,885**	**0**	**0**	**2,554.0**	**30.2%**	**158.8**	**-140.9**
Total (all exposures classes)	**86,241.5**	**13,161.1**	**0**	**93,697.9**		**4,804,996**		**0**	**21,327.3**	**22.8%**	**1,166.0**	**-1,395.5**

Table 50: A-IRB Approach – Exposure class: Retail secured by real estate / SME by PD classes (Art. 452 (g) CRR, EU CR6-B (EU) 2021/637)

Retail secured by real estate / non SME

in EUR million

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
0.00 to <0.15	24,455.9	1,238.9	33.4%	24,869.3	0.1%	247,005	19.6%	0	903.4	3.6%	3.4	-7.1
0.00 to <0.10	15,310.7	955.4	15.8%	15,461.7	0.1%	108,416	21.4%	0	502.1	3.2%	1.8	-3.7
0.10 to <0.15	9,145.3	283.5	92.5%	9,407.6	0.1%	138,589	16.6%	0	401.3	4.3%	1.6	-3.4
0.15 to <0.25	9,140.0	229.2	100.0%	9,369.2	0.2%	134,953	21.8%	0	856.9	9.1%	4.0	-5.2
0.25 to <0.50	14,501.2	728.2	31.2%	14,728.3	0.4%	122,776	18.2%	0	1,919.2	13.0%	11.0	-22.2
0.50 to <0.75	3,374.5	39.8	100.0%	3,414.4	0.6%	58,699	26.4%	0	832.6	24.4%	5.3	-4.1
0.75 to <2.50	6,220.5	335.6	33.9%	6,334.2	1.5%	82,771	24.8%	0	2,709.3	42.8%	23.6	-47.6
0.75 to <1.75	4,502.4	300.2	26.1%	4,580.8	1.4%	36,605	23.6%	0	1,755.1	38.3%	14.8	-40.1
1.75 to <2.5	1,718.1	35.3	100.0%	1,753.5	1.8%	46,166	28.0%	0	954.2	54.4%	8.9	-7.5
2.50 to <10.00	2,314.0	161.2	31.8%	2,365.3	5.8%	31,762	22.3%	0	1,892.2	80.0%	28.9	-53.7
2.5 to <5	1,259.5	53.0	49.5%	1,285.8	4.1%	18,354	25.3%	0	1,025.7	79.8%	13.5	-23.6
5 to <10	1,054.5	108.2	23.1%	1,079.5	7.8%	13,408	18.8%	0	866.6	80.3%	15.5	-30.1
10.00 to <100.00	753.0	26.4	54.9%	767.5	23.6%	10,168	23.6%	0	1,036.9	135.1%	42.8	-53.1
10 to <20	389.1	15.1	79.5%	401.1	15.6%	5,628	25.2%	0	562.8	140.3%	16.1	-19.0
20 to <30	228.9	6.1	8.4%	229.4	25.3%	1,951	20.4%	0	287.9	125.5%	11.8	-17.1
30.0 to <100.0	135.1	5.2	38.4%	137.1	44.1%	2,589	24.5%	0	186.1	135.8%	14.9	-17.0
100.00 (Default)	569.3	3.9	44.6%	571.1	100.0%	10,086	36.8%	0	159.9	28.0%	199.2	-169.9
Subtotal (exposure class)	**61,328.6**	**2,763.3**	**0**	**62,419.3**	**0**	**698,220**	**0**	**0**	**10,310.5**	**16.5%**	**318.2**	**-363.0**
Total (all exposures classes)	**86,241.5**	**13,161.1**	**0**	**93,697.9**		**4,804,996**		**0**	**21,327.3**	**22.8%**	**1,166.0**	**-1,395.5**

Table 51: A-IRB Approach – Exposure class: Retail secured by real estate / non SME by PD classes (Art. 452 (g) CRR, EU CR6-B (EU) 2021/637)

Other Retail / SME

in EUR million

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
0.00 to <0.15	939.8	727.3	62.5%	1,394.1	0.1%	39,324	43.3%	0	89.0	6.4%	0.4	-0.4
0.00 to <0.10	729.2	477.2	63.5%	1,032.3	0.1%	25,453	41.8%	0	52.1	5.0%	0.2	-0.2
0.10 to <0.15	210.6	250.1	60.4%	361.8	0.1%	13,871	47.7%	0	36.9	10.2%	0.2	-0.2
0.15 to <0.25	496.0	275.1	65.5%	676.1	0.2%	24,702	47.3%	0	109.3	16.2%	0.7	-0.5
0.25 to <0.50	399.8	277.3	75.3%	608.6	0.4%	33,503	50.1%	0	153.1	25.2%	1.2	-1.2
0.50 to <0.75	473.4	147.0	73.7%	581.7	0.6%	16,309	38.5%	0	149.8	25.8%	1.5	-2.0
0.75 to <2.50	643.3	265.1	68.9%	825.9	1.4%	21,496	49.1%	0	375.4	45.5%	5.8	-6.7
0.75 to <1.75	400.1	182.2	73.1%	533.3	1.1%	13,102	46.6%	0	210.6	39.5%	2.7	-3.3
1.75 to <2.5	243.2	82.9	59.6%	292.6	2.0%	8,394	53.7%	0	164.8	56.3%	3.1	-3.3
2.50 to <10.00	896.5	436.1	60.1%	1,158.6	5.0%	46,079	51.0%	0	712.7	61.5%	29.7	-36.1
2.5 to <5	579.7	285.1	56.2%	740.1	4.0%	22,557	50.0%	0	437.0	59.0%	14.9	-17.5
5 to <10	316.7	151.0	67.4%	418.5	6.7%	23,522	52.7%	0	275.7	65.9%	14.8	-18.6
10.00 to <100.00	192.6	42.5	54.3%	215.7	22.1%	68,600	51.0%	0	197.3	91.5%	24.5	-24.7
10 to <20	107.3	25.0	47.1%	119.1	15.8%	11,234	50.8%	0	98.3	82.6%	9.4	-9.3
20 to <30	65.0	16.1	63.7%	75.3	25.5%	4,279	48.8%	0	72.0	95.7%	9.2	-9.7
30.0 to <100.0	20.4	1.4	75.4%	21.4	45.2%	53,087	59.7%	0	27.0	125.9%	5.8	-5.7
100.00 (Default)	171.6	11.3	46.2%	176.8	100.0%	11,153	62.0%	0	52.8	29.8%	105.6	-123.0
Subtotal (exposure class)	**4,212.8**	**2,181.6**	**0**	**5,637.4**	**0**	**261,166**	**0**	**0**	**1,839.5**	**32.6%**	**169.3**	**-194.4**
Total (all exposures classes)	**86,241.5**	**13,161.1**	**0**	**93,697.9**		**4,804,996**		**0**	**21,327.3**	**22.8%**	**1,166.0**	**-1,395.5**

Table 52: A-IRB Approach – Exposure class: Other Retail / SME by PD classes (Art. 452 (g) CRR, EU CR6-B (EU) 2021/637)

Other Retail / non SME

in EUR million

PD range	On-balance sheet exposures	Off-balance-sheet exposures pre-CCF	Exposure weighted average CCF	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjust-ments and provisions
0.00 to <0.15	2,334.8	4,839.0	58.4%	5,162.0	0.1%	1,365,732	52.1%	0	424.2	8.2%	1.4	-3.1
0.00 to <0.10	2,066.9	4,180.0	55.3%	4,376.5	0.0%	1,031,502	56.4%	0	365.1	8.3%	1.2	-2.8
0.10 to <0.15	267.9	659.0	78.5%	785.5	0.1%	334,230	28.3%	0	59.1	7.5%	0.2	-0.3
0.15 to <0.25	1,017.3	581.1	69.7%	1,422.1	0.2%	470,438	40.2%	0	243.8	17.1%	1.1	-1.4
0.25 to <0.50	3,495.8	1,051.1	59.5%	4,121.6	0.4%	666,651	48.5%	0	1,388.6	33.7%	8.6	-17.6
0.50 to <0.75	183.5	224.1	69.9%	340.2	0.6%	153,648	61.2%	0	173.4	51.0%	1.2	-0.6
0.75 to <2.50	3,414.4	464.1	63.1%	3,707.2	1.5%	534,181	52.1%	0	2,398.8	64.7%	28.9	-58.6
0.75 to <1.75	2,830.3	370.3	60.0%	3,052.3	1.4%	393,442	51.4%	0	1,910.9	62.6%	21.9	-51.6
1.75 to <2.5	584.0	93.8	75.5%	654.8	1.9%	140,739	55.1%	0	487.9	74.5%	6.9	-7.0
2.50 to <10.00	1,255.8	146.5	68.3%	1,355.9	5.7%	255,740	54.9%	0	1,186.3	87.5%	42.7	-75.6
2.5 to <5	537.9	86.6	69.5%	598.1	4.2%	118,762	54.1%	0	497.8	83.2%	13.7	-20.5
5 to <10	717.9	59.9	66.6%	757.8	6.9%	136,978	55.5%	0	688.5	90.9%	29.1	-55.1
10.00 to <100.00	489.1	40.1	57.1%	511.9	24.6%	268,137	57.0%	0	697.6	136.3%	73.7	-100.3
10 to <20	262.1	20.4	70.3%	276.4	16.0%	63,384	53.8%	0	318.5	115.2%	23.8	-36.0
20 to <30	114.4	16.9	39.0%	121.0	26.3%	89,354	64.4%	0	203.0	167.8%	20.6	-29.4
30.0 to <100.0	112.6	2.8	70.1%	114.6	43.3%	115,399	56.7%	0	176.2	153.8%	29.2	-35.0
100.00 (Default)	555.9	11.8	41.4%	560.7	100.0%	87,198	66.1%	0	110.7	19.7%	362.1	-439.9
Subtotal (exposure class)	**12,746.4**	**7,357.8**	**0**	**17,181.6**	**0**	**3,801,725**	**0**	**0**	**6,623.3**	**38.5%**	**519.7**	**-697.1**
Total (all exposures classes)	**86,241.5**	**13,161.1**	**0**	**93,697.9**		**4,804,996**		**0**	**21,327.3**	**22.8%**	**1,166.0**	**-1,395.5**

Table 53: A-IRB Approach – Exposure class: Other Retail / non SME by PD classes (Art. 452 (g) CRR, EU CR6-B (EU) 2021/637)

in EUR million		Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
			Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)							
A-IRB	Total exposures	Part of exposures covered by Financial Collaterals (%)		Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
Central governments and central banks														
Institutions														
Corporates														
Of which Corporates – SMEs														
Of which Corporates – Specialised lending														
Of which Corporates – Other														
Retail	**93,697.9**	**0.9%**	**67.7%**	**67.3%**	**0.0%**	**0.3%**	**0.8%**	**0.0%**	**0.8%**	**0.0%**	**0.8%**	**0.0%**	**-**	**21,327.3**
Of which Retail – Immovable property SMEs	8,459.6	0.7%	83.1%	83.0%	0.1%	0.1%	0.9%	0.0%	0.9%	0.0%	0.8%	0.0%	-	2,554.0
Of which Retail – Immovable property non-SMEs	62,419.3	0.2%	89.8%	89.8%	0.0%	0.0%	0.5%	0.0%	0.5%	0.0%	0.1%	0.0%	-	10,310.5
Of which Retail – Qualifying revolving	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-
Of which Retail – Other SMEs	5,637.4	4.3%	3.7%	0.0%	0.4%	3.2%	2.1%	0.0%	2.1%	0.0%	9.3%	0.0%	-	1,839.5
Of which Retail – Other non-SMEs	17,181.6	2.1%	0.8%	0.0%	0.1%	0.7%	1.4%	0.0%	1.4%	0.0%	0.4%	0.0%	-	6,623.3
Total	**93,697.9**	**0.9%**	**67.7%**	**67.3%**	**0.0%**	**0.3%**	**0.8%**	**0.0%**	**0.8%**	**0.0%**	**0.8%**	**0.0%**	**-**	**21,327.3**

Table 54: A-IRB Approach – Exposure class: Retail by PD classes (Art. 453 (g) CRR, EU CR7-A (EU) 2021/637)

		Credit risk Mitigation techniques											Credit risk Mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
in EUR million			Part of exposures covered by Other eligible collaterals (%)				Part of exposures covered by Other funded credit protection (%)							
F-IRB	Total exposures	Part of exposures covered by Financial Collaterals (%)		Part of exposures covered by Immovable property Collaterals (%)	Part of exposures covered by Receivables (%)	Part of exposures covered by Other physical collateral (%)		Part of exposures covered by Cash on deposit (%)	Part of exposures covered by Life insurance policies (%)	Part of exposures covered by Instruments held by a third party (%)	Part of exposures covered by Guarantees (%)	Part of exposures covered by Credit Derivatives (%)	RWEA without substitution effects (reduction effects only)	RWEA with substitution effects (both reduction and sustitution effects)
Central governments and central banks	**1,931.1**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**-17.8%**	**0.0%**	**1,251.7**	**1,330.3**
Institutions	**8,020.8**	**0.2%**	**0.4%**	**0.1%**	**0.3%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**-38.6%**	**0.0%**	**2,665.8**	**2,666.9**
Corporates	**101,440.5**	**2.8%**	**66.5%**	**63.4%**	**3.1%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**-13.3%**	**0.0%**	**63,205.0**	**63,133.0**
Of which Corporates – SMEs	25,128.9	1.7%	45.2%	43.1%	2.1%	0.0%	0.0%	0.0%	0.0%	0.0%	-6.4%	0.0%	13,719.8	13,680.9
Of which Corporates – Specialised lending	25,744.0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18,281.9	18,281.9
Of which Corporates – Other	50,567.6	1.1%	21.2%	20.3%	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	-6.9%	0.0%	31,203.3	31,170.2
Total	**111,392.3**	**0.9%**	**19.9%**	**19.0%**	**0.9%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**-7.7%**	**0.0%**	**67,122.5**	**67,130.2**

Table 55: F-IRB Approach – Exposure class: Retail by PD classes (Art. 453 (g) CRR, EU CR7-A (EU) 2021/637)

RISK WEIGHTED EXPOSURE AMOUNT FLOW STATEMENTS

in EUR million	Risk weighted exposure amount
Risk weighted exposure amount as of Sep 21	**93,612.7**
Asset size (+/-)	2,301.1
Asset quality (+/-)	-2,217.3
Model updates (+/-)	803.7
Methodology and policy (+/-)	-
Acquisitions and disposals (+/-)	551.0
Foreign exchange movements (+/-)	76.1
Other (+/-)	-340.6
Risk weighted exposure amount as of Dec 21	**94,786.7**

Table 56: RWEA flow statements of credit risk exposures under the IRB approach (CRR Art. 438 (h), EU CR8 (EU) 2021/637)

Credit RWA under IRB approach (excluding counterparty credit risk) increased by EUR 1.2 bn during the reporting period. Asset growth of core business (mainly in Austria), model updates (implementation of new Corporate model) and acquisition of Commerzbank portfolio in Hungary, were partially offset by the asset quality development (improved rating distribution and improvement of collateralisation).

Counterparty credit risk

Goals and principles of risk management

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) 431 (3) (4) CRR

Counterparty credit risk (CCR) for OTC derivatives and securities financing transactions (securities repurchasing transactions and securities lending) is measured as the sum of current replacement costs in the case of default of the counterparty (i.e. the positive market value taking into account netting agreements) and of potential replacement costs that may result from future changes in market values due to a change in the underlying market risk factors (e.g. interest rates, currencies, equity or commodity prices).

Counterparty credit risks are monitored and controlled at transaction level as well as at portfolio level. Erste Group has a real-time limit monitoring system for the entire Group to which the entities of the Group, especially the units with trading activities, are connected online. The availability of unused limits must be checked before a transaction is executed.

ORGANISATION

Credit risks from derivatives, repurchase agreements and securities lending transactions are fully integrated into the general credit risk management system. A requirement for entering into derivative transactions is the compliance with the credit process, where the same standards with respect to classification, limits and monitoring apply as in the case of conventional credit transactions. Counterparty credit risks are measured and monitored on a daily basis by an independent risk management unit in Group Credit Risk Management. Counterparty default risk is taken into consideration in credit risk reporting.

RISK MEASUREMENT AND CONTROL

For the internal measurement of credit risk arising from derivatives, repurchase transactions and securities lending transactions, the current market values (replacement values) and potential fluctuations of the replacement values (Potential Future Exposure) due to changes in the underlying market risk factors until maturity are taken into account.

For the calculation of regulatory exposures for derivative instruments Erste Group switched to using the standardized approach for counterparty credit risk (SA-CCR) in June 2021. SA-CCR replaced the current exposure method and the original exposure method used previously for the calculation of regulatory exposures. Starting in 2022, SA-CCR is also used for the purposes of internal limit steering which brings regulatory and internal exposure measures in close alignment.

For the calculation of current and potential credit risks, netting procedures are taken into account only if they can be legally enforced (depending on business partner and jurisdiction). The legal enforcement of netting agreements is examined based on legal expert opinions. The amounts receivable are limited by own limits as well as within the scope of the limits of the overall credit risk exposure of the respective counterparty, groups of counterparties and countries. Additionally, settlement risk is controlled by adequate limits.

NETTING AND COLLATERAL

An important basis for the reduction of counterparty credit risk is entering into framework agreements (international framework agreements for derivatives of the International Swaps and Derivatives Association (ISDA), Austrian or German framework agreements, framework agreements for securities lending transactions and repurchase deals) with the respective business partners. Based on these agreements, it is possible to net all amounts due or payable for each individual transaction under a framework agreement in the case of a credit default, with the result that only the net receivables vis-à-vis the business partner are of relevance for credit risk. Erste Group does not make use of cross product netting (i.e. exposures, including both derivatives and SFTs netted at counterparty level).

Furthermore, collateral agreements (e.g. ISDA Credit Support Annex) are used for reducing the credit risk from derivatives. Within the scope of these collateral agreements, the portfolio with the respective counterparty is revalued periodically, usually daily, and in case of insufficient coverage additional collateral is requested.

Internal capital allocation and definition of credit limits for counterparty credit exposures

DISCLOSURE REQUIREMENTS Art. 439 (a) CRR

Counterparty credit risk is assessed as part of the centralised calculation of RWAs and treated as a component of credit risk in the RCC. In part, portfolios subject to the Standardised Approach are recalculated using IRB parameters in order to gain an economic perspective.

RWAs are scaled to the confidence level of 99.92% in the RCC. Counterparty credit risk is incorporated into the Group RCC, which is reported quarterly to the management board. It forms one of the vital components of the Economic Capital Adequacy Limit, which is approved by the management board.

A credit limit for counterparties at individual customer level is requested and approved by the appropriate credit processing channels. Individual customer limits are regularly monitored and tracked in the reporting system. Further relevant credit limits include the maximum lending limit for the group of connected clients and industry limits which are defined in line with the Group RAS and the Group Risk Strategy and also periodically reviewed and reported to the management board and supervisory board.

Securing of collateral and establishing of reserves

DISCLOSURE REQUIREMENTS Art. 439 (b) CRR

On the basis of bilateral contracts (securities repurchase transactions, securities lending, ISDA netting agreements, credit support annexes, etc.), Erste Group has the ability to apply risk mitigating measures (netting, taking of security). Erste Group incurs credit risk only when the net market value is positive (replacement risk). As this risk depends mainly on fluctuations in the market risk parameters (exchange rates, interest rate movements, share prices, credit spreads), open transactions must regularly be revalued and the collateral adjusted.

Acceptable collateral consists of cash denominated in certain defined major currencies (generally EUR, USD) and securities of top-rated issuers (government bonds of several European countries and the US or issues of Austrian banks backed by the Austrian government). In the case of securities used as collateral, an additional valuation discount (haircut) depending on the residual maturity is applied. The adjustment of the collateral to the current risk situation (mark-to-market valuation of the transactions with the respective counterparty) and the review of the current collateral value (taking into account exchange rate fluctuations for collateral in foreign currency, market value of securities) are performed at contractually agreed intervals. Valuation frequencies customary in the market are daily or weekly; Erste Group strives to ensure daily valuation.

The ability to realise collateral in the event of counterparty insolvency and to reuse collateral (notably to re-pledge it to third parties, or to reuse it for lending or repo transactions) is ensured based on legal opinions issued on behalf of ISDA for the relevant jurisdictions of the individual counterparties. As Erste Group accepts either cash deposits or securities with the best credit ratings issued by sovereign issuers as collateral, no further reserves are being created for exposures secured in this manner. Credit value adjustments are made for unsecured exposures from derivative transactions contingent on the credit rating or PD of the counterparty and the maturity of the contract.

For repurchase and securities lending agreements, collateral limits are set for single issuers and rating groups contingent on credit quality. As the mutual obligation to meet margin calls ensures full collateralisation on an ongoing basis, no additional reserves are formed for these transactions.

Limitation on wrong-way risk

DISCLOSURE REQUIREMENTS Art. 439 (c) CRR

Erste Group has a robust framework in place for managing wrong-way risk. Dedicated limits are set in order to avoid general and specific wrong-way risk. This comprises very strict limitations for acceptable collateral for OTC business and securities finance trans-actions and additional limitations on trades where specific wrong-way risk could occur (e.g. no exposure reduction in case of legal connections between the trade counterparty and the reference entity of the received collateral). Limits for the received collateral are set by products, ratings and regions. The monitoring setup is based on a matrix approach and allows the tracking of exposures on both counterparty and collateral issuer level. Limits are set accordingly by incorporating potential correlation between counterparties and collateral issuers.

Impact on collateralisation of a rating downgrade

DISCLOSURE REQUIREMENTS Art. 439 (d) CRR

Contractual provisions concerning dependencies between collateralisation and the credit rating of Erste Group exist in the context of collateral agreements. The variables affected by this in some of the collateral agreements are the exposure-independent amount of collateral (referred to as the independent amount), the amount of exposure the counterparty is willing to accept before Erste Group is required to post collateral (the threshold amount), and the minimum amount of additional collateral that may be requested (the minimum transfer amount). A process for additional liquidity outflows due to contracts with downgrade triggers shown in the Liquidity Coverage Ratio and yearly reporting of all relevant contracts has been established in Erste Group.

Quantitative disclosure on counterparty risk

DISCLOSURE REQUIREMENTS Art. 439 (e) to (j) (l) in conjunction with 444 (e) and 452 (g) CRR

The table below provides an overview of the methods used to calculate CCR regulatory requirements, the main parameters used with-in each method, as well as the resulting net exposures and RWAs. Starting with June 2021, Erste Group switched to using the standardized approach for counterparty credit risk (SA-CCR) and replaced the original exposure method and the current exposure method used previously. In 2022 replacement costs related to OTC derivative transactions decreased (2021: EUR 463 million) due to market moves. The reduction in EAD (2021: EUR 1,786 million) is driven by market movements and changes in business volumes. The increase in EADs under the financial collateral method for SFTs (2021: EUR 19,340 million) results from overall higher levels of excess CZK and CHF liquidity, which increased SFT exposures in the currencies.

in EUR million	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
SA-CCR (for derivatives)	402.5	725.2		1.4	1,517.8	1,517.8	1,517.8	891.5
IMM (for derivatives and SFTs)			-	-	-	-	-	-
Of which securities financing transactions netting sets			-		-	-	-	-
Of which derivatives and long settlement transactions netting sets			-		-	-	-	-
Of which from contractual cross-product netting sets			-		-	-	-	-
Financial collateral simple method (for SFTs)					-	-	-	-
Financial collateral comprehensive method (for SFTs)					20,291.4	20,291.4	20,035.0	207.5
VaR for SFTs					-	-	-	-
Total					**21,809.1**	**21,809.1**	**21,552.8**	**1,099.0**

Table 57: Analysis of CCR exposure by approach (Art. 436 (f) (g) (k) CRR, EU CCR1 (EU) 2021/637)

The table below provides an overview of the exposures subject to CVA capital charges in accordance with Part three, Title VI, Article 382 CRR. Erste Group applies the standardised method to compute CVA capital charges exclusively. Compared to 2021 there was a slight increase in exposure values subject to CVA (2021: EUR 1,403 million) and a corresponding increase in CVA RWAs (2021: EUR 391 million) driven by shifts in the portfolio composition.

CVA capital charges

in EUR million	Exposure value	RWEA
Total transactions subject to the Advanced method	-	-
(i) VaR component (including the 3× multiplier)		-
(ii) stressed VaR component (including the 3× multiplier)		-
Transactions subject to the Standardised method	1,582.4	418.4
Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
Total transactions subject to own funds requirements for CVA risk	1,582.4	418.4

Table 58: Analysis of CCR CVA Capital Charge (Art. 439 (h) CRR, EU CCR2 (EU) 2021/637)

The table below provides an overview of the exposures towards central counterparties (CCPs) in the scope of Part Three, Title II, Chapter 6, Section 9 of the CRR and related capital requirements. Compared to 2021 there was a slight decrease in overall exposures to CCPs (2021: EUR 97 million). Default fund contributions mildly increased (2021: EUR 33 million). Erste Group does not have exposures to non-qualifying CCPs.

in EUR million	Exposure value	RWEA
Exposures to QCCPs (total)		7.4
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	94.9	2.3
(i) OTC derivatives	69.4	1.8
(ii) Exchange-traded derivatives	25.5	0.5
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	820.5	
Non-segregated initial margin	-	-
Prefunded default fund contributions	33.9	5.1
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
(i) OTC derivatives	-	-
(ii) Exchange-traded derivatives	-	-
(iii) SFTs	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Prefunded default fund contributions	-	-
Unfunded default fund contributions	-	-

Table 59: Exposures to central counterparties (CCPs) (Art. 439 (i) CRR, EU CCR8 (EU) 2021/637)

The table below provides a breakdown of CCR exposure calculated in accordance with Part Three, Title II, Chapter 6 of the CRR and risk-weighted according to Chapter 3 of the same title: by portfolio (type of counterparties) and by risk weight (riskiness attributed according to the standardised approach).

in EUR million	Risk weight											Total exposure value
Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
Central governments or central banks	10,986.5	-	-	-	-	-	-	-	-	-	-	10,986.5
Regional government or local authorities	2.3	-	-	-	0.0	-	-	-	0.0	-	-	2.3
Public sector entities	0.3	-	-	-	0.6	-	-	-	-	-	-	1.0
Multilateral development banks	15.2	-	-	-	-	-	-	-	-	-	-	15.2
International organisations	7.1	-	-	-	-	-	-	-	-	-	-	7.1
Institutions	0.8	46.7	-	-	19.4	6.0	-	-	5.9	-	-	78.7
Corporates	-	47.8	-	-	0.7	2.6	-	-	82.7	-	-	133.8
Retail	-	-	-	-	-	-	-	18.0	-	-	-	18.0
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Other items	0.0	-	-	-	-	-	-	-	0.9	0.2	-	1.1
Total exposure value	**11,012.3**	**94.5**	**-**	**-**	**20.7**	**8.5**	**-**	**18.0**	**89.5**	**0.2**	**-**	**11,243.9**

Table 60: Standardised approach – CCR exposures by regulatory portfolio and risk weights (Art. 439 (l) referring to 444 (e) CRR, EU CCR3 (EU) 2021/637)

The table below provides an overview of RWAs and parameters used in RWA calculations for exposures subject to the CCR framework (excluding CVA charges or exposures cleared through a CCP) and where the credit risk approach is used (in accordance with Article 107 CRR) to compute RWAs in IRB approach. The same PD scale applies as for credit risk exposures.

CCR portfolio in IRB approach

The tables below show breakdown of exposures relevant for CCR, per exposure class and PD bucket. Only the exposure classes where bank has the CCR exposures are included, while the overviews for the classes with no CCR exposures are omitted.

Institutions (F-IRB)

in EUR million

PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
0.00 to <0.15	5,000.2	0.1%	105	9.8%	0.7	339.0	6.8%
0.15 to <0.25	831.3	0.2%	25	12.6%	0.9	110.4	13.3%
0.25 to <0.50	234.1	0.3%	24	11.7%	1.0	46.6	19.9%
0.50 to <0.75	50.3	0.5%	1	11.1%	0.9	8.7	17.3%
0.75 to <2.50	18.6	1.1%	10	29.5%	1.8	15.4	82.5%
2.50 to <10.00	76.7	4.5%	4	9.8%	0.6	25.0	32.5%
10.00 to <100.00	1.7	25.1%	4	45.0%	2.5	5.1	294.7%
100.00 (Default)	-	0.0%	-	0.0%	-	-	0.0%
Total	**6,213.0**	**0.2%**	**173**	**10.4%**	**0.7**	**550.1**	**8.9%**

Table 61: IRB approach – CCR portfolio per PD scale for exposure class Institutions (F-IRB) (Art. 439 (l) referring to 452 (g) CRR, EU CCR4 (EU) 2021/637)

Corporates (F-IRB)

in EUR million

PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
0.00 to <0.15	1,003.2	0.1%	132	7.2%	0.7	47.1	4.7%
0.15 to <0.25	290.8	0.2%	73	7.0%	0.8	25.1	8.6%
0.25 to <0.50	143.4	0.3%	165	16.0%	1.2	34.7	24.2%
0.50 to <0.75	38.9	0.6%	189	33.5%	2.0	22.3	57.2%
0.75 to <2.50	92.7	1.2%	340	22.7%	1.3	44.6	48.1%
2.50 to <10.00	531.9	4.1%	357	10.2%	0.9	200.4	37.7%
10.00 to <100.00	0.8	17.8%	62	45.0%	2.5	1.5	193.6%
100.00 (Default)	1.8	100.0%	38	45.0%	2.5	-	0.0%
Total	**2,103.5**	**1.3%**	**1,356**	**9.7%**	**0.9**	**375.7**	**17.9%**

Table 62: IRB approach – CCR portfolio per PD scale for exposure class Corporates (F-IRB) (Art. 439 (l) referring to 452 (g) CRR, EU CCR4 (EU) 2021/637)

Retail (A-IRB)

in EUR million

PD scale	Exposure value	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	RWEA	Density of risk weighted exposure amount
0.00 to <0.15	0.0	0.1%	16	100.0%	-	0.0	18.0%
0.15 to <0.25	0.3	0.2%	34	99.4%	-	0.1	36.7%
0.25 to <0.50	0.1	0.5%	25	99.6%	-	0.1	64.6%
0.50 to <0.75	-	0.0%	-	0.0%	-	-	0.0%
0.75 to <2.50	0.1	1.7%	13	100.0%	-	0.1	118.8%
2.50 to <10.00	0.0	5.7%	12	100.0%	-	0.1	155.2%
10.00 to <100.00	0.0	34.9%	14	100.0%	-	0.1	238.4%
100.00 (Default)	-	0.0%	-	0.0%	-	-	0.0%
Total	**0.6**	**3.4%**	**114**	**99.6%**	**-**	**0.4**	**100.0%**

Table 63: IRB approach – CCR portfolio per PD scale for exposure class Retail (A-IRB) (Art. 439 (l) referring to 452 (g) CRR, EU CCR4 (EU) 2021/637)

The table below provides an overview of all types of collateral posted or received by Erste Group to support or reduce CCR exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP. Compared to 2021 for OTCD transactions there is an increase in the volume of collateral received (2021: EUR 888 million) and an increase in collateral posted (2021: EUR 909 million) which reflects shifts in the composition of the derivatives portfolio as well as market moves. The proportion of exposures collateralized by cash remains high at 93.55% (2021: 93.5%) for received collateral but is lower at 54.290% (2021: 54.2%) for posted collateral. For SFTs the overall level of collateral received dropped for both collateral received (2021: EUR 18,830 million) and collateral posted (2021: EUR 5,760 million).

in EUR million	Collateral used in derivative transactions				Collateral used in SFTs			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash – domestic currency	-	911.6	2.0	2,085.7	-	135.8	-	5,454.7
Cash – other currencies	-	178.5	23.5	257.1	-	65.5	-	3,852.8
Domestic sovereign debt	-	-	135.7	80.3	-	155.6	-	63.0
Other sovereign debt	-	8.3	216.6	56.4	-	13,112.1	-	20.9
Government agency debt	-	-	-	-	-	-	-	-
Corporate bonds	-	60.7	442.8	126.2	-	408.8	-	28.4
Equity securities	-	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	8,840.6	-	2,964.9
Total	**-**	**1,159.2**	**820.5**	**2,605.7**	**-**	**22,718.4**	**-**	**12,384.7**

Table 64: Composition of collateral for exposures to CCR (Art. 439 (e) CRR, EU CCR5 (EU) 2021/637)

The table below provides an overview of Erste Group's exposures to credit derivative transactions broken down between derivatives bought or sold. Compared to 2021 there is a decrease in credit protection bought (2021: EUR 472 million) and a decrease in protection sold (2021: EUR 339 million). Erste Group does not have exposures to exotic credit derivatives and currently has no credit derivative positions purchased for hedging in the banking book.

in EUR million	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	10.6	144.4
Index credit default swaps	304.7	245.8
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total notionals	**315.3**	**390.2**
Fair values		
Positive fair value (asset)	0.6	5.5
Negative fair value (liability)	-5.3	-1.4

Table 65: Credit derivatives exposures (Art. 439 (j) CRR, EU CCR6 (EU) 2021/637)

RWEA flow statements of CCR exposures under the IMM

As IMM (internal model method) for derivatives and SFTs is not used, template EU CCR7 – RWA flow statement of CCR exposures under the IMM according to (EU) 2021/637 is not disclosed.

Exposure to securitisation positions

Investments in securitisation positions

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d), 449 (a) to (d), (g) (h) (j) (k) (l) CRR

In the past, securitisation deals were concluded by Erste Group to diversify risks and returns when acting as an investor in securitisation positions. There have not been any new investments in securitisation positions since 2011. It is planned to phase out this portfolio through amortisations.

Credit decisions are reached on the basis of a fundamental analysis of the underlying pools, while on a regular basis a waterfall simulation of the pool is done, for which structural risks of securitisation are taken into account. The continuous monitoring of the remaining securitisation portfolio is undertaken via a standardised process using various impairment tests. Changes in market risk are analysed on a monthly basis using current market prices for each of the securitisation positions. Furthermore, developments in credit spreads are analysed in the asset classes of the securitisation portfolio and used in the regular monitoring of market liquidity. Valuations by external rating agencies as well as a series of performance-linked indicators are used for the monthly assessment of credit risk. Additionally, annual reviews are prepared at the individual transaction level to check for impairment and measure the development of the securitisation positions. Transactions that fall below certain defined thresholds would be furthermore tracked in a watch list that is regularly updated, however, there are none at the moment.

To value securitisation positions, Erste Group receives third-party pricing for each of its US investments on a monthly basis. Third party pricing for the last US Student Loan ABS is based on observable inputs including (i) discount margins, (ii) conditional prepayment rate (CPR) and (iii) yield curves. For the European ABS Portfolio, Erste Group receives prices from external market data providers on a daily basis. Erste Group's pricing validation practice has been in place since 2013. There have been no changes in the valuation methods.

Erste Group is using the Ratings Based Method pursuant to Article 263 Regulation (EU) 2017/2401 for investor positions to calculate risk-weighted exposure amounts.

From 31 December 2016 onwards, Erste applies to all 1250% risk-weighted securitisation positions on its balance sheet the deduction of the exposure amount from the amount of Common Equity Tier 1 items pursuant to the Article 247 (4) Regulation (EU) 2017/2401 and Article 36 (1)(k) Regulation (EU) 575/2013 as an alternative to applying a risk weight of 1250%. The 1250% securitisation positions deducted from own funds as of 31 December 2022 after deduction of specific credit risk adjustments according to Article 248 1 (d) Regulation (EU) 2017/2401 are the two first loss positions of the two originated transactions SLSP SME 2021-1 (EUR 13 million) and CSAS 2019-1 (EUR 17.7 million).

Securitisation activities at Erste Group

DISCLOSURE REQUIREMENTS Art. 449 (a) to (d), (g) (h) (j) (k) (l) CRR

As of 31 December 2022, Erste Group has two synthetic securitisation transactions outstanding: "CSAS 2019-1"and "SLSP SME 2021-1".

The main objective of the first synthetic securitisation ("CSAS 2019-1") of Erste Group's Czech entity, Ceska Sporitelna, effective since 30 November 2019 is credit protection of a predominantly Czech SME credit portfolio via an unfunded financial guarantee on the mezzanine tranche. The significant risk transfer pursuant to Article 245 (2) (a) Regulation (EU) 2017/2401 contributes to regulatory capital relief. The transaction has a final legal maturity on 31 August 2036 and includes SME and corporate loans. The reference portfolio was not sold but remains on the balance sheet of the originator, Ceska Sporitelna. The transaction was structured and executed in a non-STS format. No SSPE and no rating agency was involved in CSAS 2019-1.

The risk-weighted exposure amounts for this transaction are calculated according to the SEC IRBA formula of Article 259 Regulation (EU) 2017/2401. The transaction was structured in three tranches whereby the mezzanine tranche is guaranteed by the European Investment Fund (EIF) with a back-to-back guarantee by the European Investment Bank (EIB) with funds from European Fund for Strategic Investments (EFSI) and a retrocession agreement with EIB in case a certain new loan origination requirement is reached. The structure of the transaction is set out in the table below.

CSAS 2019-1 synthetic securitisation transaction

in EUR million	Notional value outstanding as of 31 December 2022	Seniority of tranche	Tranche characteristic
Senior Tranche	366	Senior	Retained
Mezzanine Tranche	30	Mezzanine	Guaranteed
Junior Tranche	18	Junior	Retained
Total	**414**		
Excess Spread	7		

Table 66: Overview of CSAS 2019-1 securitisation tranche structure and characteristics

The transaction had an initial replenishment period of 2 years but started to amortise in December 2020 after breaching its replenishment stop trigger. The redemption of the senior and mezzanine tranches is on a pro-rata basis and losses are allocated to the tranches in the reverse order of seniority. The transaction includes a synthetic excess spread in the amount of the expected loss of the portfolio. Losses are first allocated to the excess spread and then to the tranches starting with the junior tranche. The excess spread as well as the junior tranche are deducted from the amount of Common Equity Tier 1 items pursuant to Article 253 (1) and Article 36 (1)(k) Regulation (EU) 575/2013. No hedging or unfunded credit protection is used to mitigate the risk of the retained tranches.

The specific provisions booked for a credit event loan are used as an estimate for the final loss ("initial loss") in respect of the credit event loan in the transaction. Revised estimates of the loss lead to positive or negative loss adjustments during the workout process. After completion of the workout process the total loss accounted for in respect of the credit event loan is the final loss. In case of losses above the excess spread and the junior tranche and up to the mezzanine tranche Ceska Sporitelna receives credit protection payments from the investor.

The 5% originator retention required under Article 6 3(c) Regulation (EU) 2017/2402 was met by retaining exposures with a volume of EUR 55 million or 5% prior to securitisation at Ceska Sporitelna level by random selection.

On 30 April 2021, the first synthetic securitization ("SLSP SME 2021-1") of Erste Group's Slovak entity, Slovenská sporiteľňa, became effective. The EUR 754 million transaction is similar to the Czech CSAS 2019-1 transaction with the same main objective being credit protection of a predominantly Slovakian SME credit portfolio via an unfunded financial guarantee on the mezzanine tranche. The significant risk transfer pursuant to Article 245 (2) (a) Regulation (EU) 2017/2401 contributes to regulatory capital relief. The transaction has a final legal maturity on 14 May 2035 and includes loans to SME and corporate customers. The reference portfolio was not sold but remains on the balance sheet of the originator, Slovenská sporiteľňa. Similar to CSAS 2019-1, the transaction was structured and executed in a non-STS format. No SSPE was involved in the transaction.

As in CSAS 2019-1, the risk-weighted exposure amounts for this transaction are also calculated according to the SEC IRBA formula of Article 259 Regulation (EU) 2017/2401. No rating agency was involved in the transaction. The transaction was also structured in three tranches whereby the mezzanine tranche is again guaranteed by the European Investment Fund (EIF). The European Investment Bank (EIB) with funds from European Fund for Strategic Investments (EFSI) supports the new transaction with a back-to-back guarantee with EIF and retrocession of part of the guarantee premium to Slovenská sporiteľňa in case a certain new loan origination requirement is reached, as part of its mission to support SME lending and economic growth in the European Union. The structure of the transaction is set out in the table below.

SLSP SME 2021-1 synthetic securitisation transaction

in EUR million	Notional value outstanding as of 31 December 2022	Seniority of tranche	Tranche characteristic
Senior Tranche	690	Senior	Retained
Mezzanine Tranche	48	Mezzanine	Guaranteed
Junior Tranche	16	Junior	Retained
Total	**754**		
Excess Spread	5		

Table 67: Overview of SLSP SME 2021-1 securitisation tranche structure and characteristics

The transaction has 2 years replenishment. The redemption of the senior and mezzanine tranches is on a pro-rata basis and losses are allocated to the tranches in the reverse order of seniority. The transaction includes a synthetic excess spread in the amount of the expected loss of the portfolio. Losses are first allocated to the excess spread and then to the tranches starting with the junior tranche. The excess spread as well as the junior tranche are deducted from the amount of Common Equity Tier 1 items pursuant to Article 253 (1) and Article 36 (1)(k) Regulation (EU) 575/2013. No hedging or unfunded credit protection is used to mitigate the risk of the retained tranches.

The specific provisions booked for a credit event loan are used as an estimate for the final loss ("initial loss") in respect of the credit event loan in the transaction. Revised estimates of the loss lead to positive or negative loss adjustments during the workout process. After completion of the workout process the total loss accounted for in respect of the credit event loan is the final loss. In case of losses above the excess spread and the junior tranche and up to the mezzanine tranche Slovenská sporiteľňa receives credit protection payments from the investor.

The 5% originator retention required under Article 6 3(c) Regulation (EU) 2017/2402 was met by retaining exposures with a volume of EUR 40.7 million or 5% prior to securitisation at Slovenská sporiteľňa level by random selection.
The administration and monitoring of the two synthetic transactions is executed according to the policy "process documentation for execution and administration of synthetic securitisation transactions" in the internal IT securitisation platform. The policy covers the roles, responsibilities, governance and organisation of the synthetic securitisation process within Erste Group, Ceska Sporitelna and Slovenská sporiteľňa. Erste Group acted as sole arranger on both transactions.

The securitised assets of the two synthetic securitization transactions are on-balance sheet. No transfer or sale of the securitized assets took place. No sale was conducted and as a consequence no gains or losses on sales occurred. The only impact on accounting from these transactions is on the profit and loss statement via the ongoing payment of the guarantee premium to the investor and in case of losses to the mezzanine tranche the receipt of guarantee payments from the investor. On both transactions the originator retains the first loss of the securitized assets with the retention of the junior tranche. As a consequence, the originator bears the same risks in respect of the securitized SME and corporate loans post-securitisation until losses reach the guaranteed mezzanine tranche compared to pre-securitisation. These risks include credit risk, liquidity risk and collateral risk.

Assets awaiting securitisation are loans which are valued at amortised cost and are not recorded in the credit institution's trading book or trading. On the balance sheet, loans are disclosed under the line items "Loans and receivables to credit institutions" and "Loans and receivables to customers".

Quantitative disclosure on securitisation positions

SECURITISATION ACTIVITIES

DISCLOSURE REQUIREMENTS Art. 449 (j) (k) (l) CRR

Securitisation exposures in the non-trading book

in EUR million	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
	Traditional				Synthetic			Traditional		Synthetic		Traditional		Synthetic	
	STS		Non-STS												
		of which SRT		of which SRT		of which SRT	Sub-total	STS	Non-STS		Sub-total	STS	Non-STS		Sub-total
Total exposures	-	-	-	-	1,086.9	1,086.9	1,086.9	-	-	-	-	-	1.9	-	1.9
Retail (total)	-	-	-	-	-	-	-	-	-	-	-	-	1.9	-	1.9
residential mortgage	-	-	-	-	-	-	-	-	-	-	-	-	1.9	-	1.9
credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale (total)	-	-	-	-	1,086.9	1,086.9	1,086.9	-	-	-	-	-	-	-	-
loans to corporates	-	-	-	-	1,086.9	1,086.9	1,086.9	-	-	-	-	-	-	-	-
commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Table 68: Securitisation exposures in the non-trading book (Art. 449 (j) CRR, EU SEC1 (EU) 2021/637)

Securitisation exposures in the trading book

As of December 2022, Erste Group didn't have any securitization positions in the trading book, hence disclosure requirement from Article 449 (j) for trading book, and disclosure template SEC2 pursuant to (EU) 2021/637 is omitted.

in EUR million	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (incl. IAA)	SEC-SA	1250%/ deductions
Total exposures	**1,086.9**	**-**	**-**	**-**	**-**	**1,086.9**	**-**	**-**	**31.0**	**158.4**	**-**	**-**	**-**	**12.7**	**-**	**-**	**-**
Traditional transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Synthetic transactions	**1,086.9**	**-**	**-**	**-**	**-**	**1,086.9**	**-**	**-**	**31.0**	**158.4**	**-**	**-**	**-**	**12.7**	**-**	**-**	**-**
Securitisation	**1,086.9**	**-**	**-**	**-**	**-**	**1,086.9**	**-**	**-**	**31.0**	**158.4**	**-**	**-**	**-**	**12.7**	**-**	**-**	**-**
Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	1,086.9	-	-	-	-	1,086.9	-	-	31.0	158.4	-	-	-	12.7	-	-	-
Re-securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Table 69: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor (Art. 449 (k) (i) CRR, EU SEC3 (EU) 2021/637)

in EUR million	Exposure values (by RW bands/deductions)					Exposure values (by regulatory approach)				RWEA (by regulatory approach)				Capital charge after cap			
	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions	SEC-IRBA	SEC-ERBA (including IAA)	SEC-SA	1250%/ deductions
Total exposures	-	1.0	-	0.8	-	-	1.9	-	-	-	1.2	-	-	-	0.1	-	-
Traditional securitisation	-	1.0	-	0.8	-	-	1.9	-	-	-	1.2	-	-	-	0.1	-	-
securitisation	-	1.0	-	0.8	-	-	1.9	-	-	-	1.2	-	-	-	0.1	-	-
Retail underlying	-	1.0	-	0.8	-	-	1.9	-	-	-	1.2	-	-	-	0.1	-	-
Of which STS																	
Wholesale																	
Of which STS																	
Re-securitisation																	
Synthetic securitisation																	
securitisation																	
Retail underlying																	
Wholesale																	
Re-securitisation																	

Table 70: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor (Art. 449 (k) (ii) CRR, EU SEC4 (EU) 2021/637)

in EUR million	Exposures securitised by the institution - Institution acts as originator or as sponsor		
	Total outstanding nominal amount		Total amount of specific credit risk adjustments made during the period
		Of which exposures in default	
Total exposures	**1,175.3**	**16.4**	**2.2**
Retail (total)	**-**	**-**	**-**
residential mortgage	-	-	-
credit card	-	-	-
other retail exposures	-	-	-
re-securitisation	-	-	-
Wholesale (total)	**1,175.3**	**16.4**	**2.2**
loans to corporates	1,175.3	16.4	2.2
commercial mortgage	-	-	-
lease and receivables	-	-	-
other wholesale	-	-	-
re-securitisation	-	-	-

Table 71: Exposures securitised by the institution - Exposures in default and specific credit risk adjustments (Art. 449 (l) CRR, EU SEC5 (EU) 2021/637)

Market Risk

Goals and principles of risk management

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) AND 445 CRR

Market risks arise due to fluctuations of interest rates, exchange rates, equity prices and commodity prices. Market risks derive from short-term trading in instruments whose prices are determined daily (trading book) as well as from the traditional banking business (banking book). The measurement method for risk in the trading book is Value at Risk (VaR).

ORGANISATION

The responsibility for market risk at Group level rests in the division Group Liquidity and Market Risk Management (GLMRM). This division is responsible for steering, measurement, and controlling of liquidity and market risk of Erste Group. It covers both banking book and trading book and comprises the departments Banking Book Risk Management, Trading Book Risk Management, Market and Liquidity Risk Methods and Models, and Market and Liquidity Risk Model Validation.

Banking Book Risk Management is responsible for the group wide governance of market and liquidity risk of the banking book. This includes the identification, measurement and controlling of market and liquidity risk as well as the integration into the group's enterprise wide risk management and risk appetite framework. Furthermore, this department is responsible for setting, controlling, and monitoring of group wide liquidity and market risk limits in the banking book and respective limit escalation procedures.

Trading Book Risk Management is responsible for the group wide governance of market risk of the trading book. It acts independently of the trading units and takes responsibility for identifying, measuring, and monitoring of all market risks arising from capital market business. The scope of this department also comprises setting, controlling, and monitoring of group wide market risk limits in the trading book and respective limit escalation procedures.

Market and Liquidity Risk Methods and Models covers the development of risk models related to Pillar 1 (i.e. the calculation of the regulatory capital requirements for market risk in the trading book) and Pillar 2 capital requirements as well as valuation and various internal steering purposes.

Market and Liquidity Risk Model Validation is responsible for the independent review and validation of market and liquidity risk related methods and models.

RISK MEASUREMENT AND CONTROL

VaR is calculated based on the method of historic simulation. A confidence interval of 99% and a holding period of one day apply. The software package MRS is used for this purpose. The validity of the statistical methods used is constantly checked through back-testing.

The management board sets the strategic framework for market risk management in the Group, approves the risk appetite, which is appropriate to the business strategy, and approves the Group strategy. The breakdown and allocation of strategic market risk limits to segments follows a proposal of the risk management department Trading Book Risk Management, which is subject to approval by the MRC. The MRC is the ultimate decision-making body for market risk and other trading book-related issues of all entities of Erste Group. Its key function is to discuss and decide on important risk management issues related to Group Markets activities, in particular, to approve and implement common risk management standards, limit structures, trading strategies and to establish the overall governance framework. The chairman of the MRC is the CRO. The MRC further comprises of the Chief Financial Officer, the board member responsible for the Group capital markets business, key staff from risk management and the relevant business units. Limit compliance is verified at several levels by the appropriate local decentralised risk management units as well as by the department Trading Book Risk Management.

METHODS AND INSTRUMENTS OF RISK MITIGATION

The general standards of market risk controlling and management (standards, limits and analyses) are defined by Erste Group and are described in the Group Principles for Managing Market Risk which are constantly reviewed and improved.

Risk measurement is guaranteed by the daily calculation of VaR for the entire Group and for each of the trading units. Additionally, sensitivity limits are in place for all asset classes. This system permits control that extends to the level of the individual trading desks and the individual traders. The limits are monitored daily. Furthermore, a consistency check between the VaR limits and the sensitivity limits is carried out on a regular basis.

Risk measurement by purely statistical methods such as VaR does not adequately take into account the consequences of crisis situations. For this reason, Erste Group supplements its VaR-based risk measurement with stress testing based on several methods (stressed Value at risk (sVaR), daily and ad-hoc scenario analysis). These assessments help to analyse the effects of market movements of low probability; the results are made available to the MRC.

MARKET RISK REPORTING

Risk reporting is divided into internal and external reporting.

Internal reporting comprises:
_ daily measurement and limit control of the market risk for all trading books at Group level (includes VaR, sensitivity and stop-loss limit reporting to management);
_ VaR overview for the Group, movements over time by risk type, banking book, hedge funds, detailed analyses of the trading book, limit utilisation;
_ stress testing: sVaR, standard scenarios, combination scenarios.

External reporting comprises:
_ capital requirements based on the internal model;
_ quarterly reports to the Joint Supervisory Team;
_ reports on exceptions in back-testing of the internal model as required.

OWN FUNDS REQUIREMENT FOR EXPOSURE TO MARKET RISK UNDER THE STANDARDISED APPROACH

The table below provides an overview of the capital requirements of Erste Group for market risk covered by the Standardised Approach, broken down by risk type. Own funds in the Standardised Approach is calculated for entities and risk types not part of the internal model on consolidated level. In particular:

Entities scope of the Standardised Approach: Trading books in
_ Banca Comercială Română (BCR);
_ Erste Bank Croatia (EBC);
_ Erste Bank Serbia (EBS);
_ Allgemeine Sparkasse OÖ (ASK).

Risk types not covered in the internal model:
_ specific interest rate risk;
_ CIUs.

In addition, Standardised Approach is applied to residual positions in entities generally covered in the internal model but with market data not sufficient in length and quality to be modelled (e.g. new shares whose price history is too short or certain types of collective investment undertakings).

in EUR million	RWEAs
Outright products	
Interest rate risk (general and specific)	595.0
Equity risk (general and specific)	181.4
Foreign exchange risk	3,072.9
Commodity risk	-
Options	
Simplified approach	-
Delta-plus approach	13.8
Scenario approach	-
Securitisation (specific risk)	-
Total	**3,863.1**

Table 72: Market risk under the Standardised approach (Art. 445 CRR, EU MR1 (EU) 2021/637)

Internal Market risk model

SCOPE OF APPLICATION AS APPROVED BY THE SUPERVISORY AUTHORITY

DISCLOSURE REQUIREMENTS Art. 455 (b) CRR

Erste Group Bank AG calculates own funds requirements for market risk based on an internal model in accordance with Part 3, Title IV Chapter 5 CRR. The VaR model was originally approved on 3 September 2001 for the trading book of Erste Group Bank AG. The model was expanded on multiple occasions to meet market developments and new regulatory requirements with the most recent changes having been approved by the regulator in December 2016. Besides the earlier approved extensions like the integration of event risk of equity instruments and the implemented sVaR calculation the current model was expanded to use OIS discounting for derivatives, FX-derived curves for VaR and sVaR calculation and applies benchmark curves as new risk factors.

The following entities within Erste Group (consolidated level) are within the application scope of the internal model:
- Erste Group Bank (including the branches in London, New York and Hong Kong);
- Česká spořitelna (CS);
- Slovenská sporiteľňa (SLSP);
- Erste Bank Hungary (EBH);
- Erste Bank Investment Hungary (EBIH).

The model considers the following risk positions:
- general position risk in interest-related instruments;
- specific and general position risk in equity instruments;
- commodity position risk;
- risk from positions in foreign currency and gold;
- gamma risk;
- vega risk.

CHARACTERISTICS OF THE INTERNAL MODEL

DISCLOSURE REQUIREMENTS COVERED: Art. 455 (a) (i) CRR

The internal model uses the method of historical simulation for the VaR and sVaR calculation. VaR is the maximum loss that will not be exceeded within a defined period with a certain probability. To calculate VaR by this method, a historical time series is needed for every market parameter that enters into the valuation of the portfolio. Subsequently, the assumption is made that past price changes are an approximation of future market behaviour.

The calculation of VaR involves three stages:
- in the first step, the NPV of the positions being assessed is calculated based on current market data (e.g. interest rates, volatilities);
- in the second step, the changes in market data are determined for every day – within a selected historical time period. The current market data are adapted to take account of these changes and then the value of the portfolio is re-assessed. The difference between the current NPV and the new NPV based on historical changes is calculated for every day of the simulation period. This produces a time series of gains and losses;
- in the third step, the NPV gains and losses are analysed statistically. To this end, confidence intervals and ranks are calculated.

The computation is based on a confidence level of 99% and a holding period of one day. VaR and sVaR are calculated on a daily basis. For VaR, the simulation period is the past two years. For sVaR, the simulation period is only one year and the calibration of the relevant period for sVaR is performed weekly.

For the purpose of event-specific risk for equity exposures Erste Group applies a combination of historical and Monte-Carlo based simulations. Equity risk factors are augmented with idiosyncratic and market wide events and VaR is calculated by using the augmented time series. The maximum of the original historical VaR and the VaR including events is the final VaR number used for the calculation of own funds requirements.

For the purposes of determining capital requirements, the calculated values are scaled to a holding period of ten days using the square-root-of-time rule or a more conservative scaling approach derived from empirical data.

The methodology described is consistently applied to all portfolios and positions included in the internal market risk model.

As Erste Group does not have an approval for specific risk in interest-linked instruments, no model for incremental default and migration risk is used. Additionally, Erste Group does not have a correlation trading portfolio therefore no related model is used.

All components of the internal market risk model are subject to at least annual validation by the department Market & Liquidity Risk Model Validation.

OWN FUNDS REQUIREMENT FOR MARKET RISK UNDER THE INTERNAL MODEL

In accordance with Article 364 CRR, the own funds contributions from both VaR and sVaR are derived from the average VaR and sVaR of the past 60 business days scaled to 10 days and using a model multiplier determined by the regulator. In 2021 the model multiplier for Erste Group was increased from 3.0 to 3.25 by the ECB based on the observation that until Q1 2021 Erste Group did not have a systematic process for capturing Risks Not In The Model (RNIME). A regulatory compliant framework was implemented starting with June 2021. In February 2022 Erste Group received regulatory approval to reduce the multiplier back to 3.0 based on the implemented RNIME framework. As of year end 2022 the number of VaR backtesting outliers is 6 and hence the regulatory multiplier has a value of 3.5. Three of the outliers were clustered in late February and early March and were related to market reaction to the war in the Ukraine. The remaining three outliers were caused by sharp market moves related to central bank intervention or market expectations regarding inflation and interest rates

Erste Group does not use an internal model for the specific risk of debt instruments and, therefore, does not calculate capital requirements for incremental default and migration risk. In addition, Erste Group does not have a correlation trading portfolio.
The market risk RWA under the IMA are determined by the 60-day average of VaR and SVaR. The main drivers for RWA changes in 2022 can be attributed to market volatility.

in EUR million	RWEAs	Own funds requirements
VaR (higher of values a and b)	637.9	51.0
Previous day's VaR (VaRt-1)		13.5
Multiplication factor (mc) x average of previous 60 working days (VaRavg)		51.0
SVaR (higher of values a and b)	2,526.3	202.1
Latest available SVaR (SVaRt-1))		60.8
Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		202.1
IRC (higher of values a and b)		-
Most recent IRC measure		-
12 weeks average IRC measure		-
Comprehensive risk measure (higher of values a, b and c)		-
Most recent risk measure of comprehensive risk measure		-
12 weeks average of comprehensive risk measure		-
Comprehensive risk measure Floor		-
Other	-	-
Total	**3,164.2**	**253.1**

Table 73: Market risk under the IMA (Art. 455 (e) CRR, EU MR2-A (EU) 2021/637)

RWA FLOWS FOR MARKET RISK IN THE IMA

in EUR million	VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total own funds requirements
RWEAs at previous period end	**455.3**	**1,569.7**	**-**	**-**	**-**	**2,025.0**	**162.0**
Regulatory adjustment	-320.8	-950.0	-	-	-	-1,270.9	-101.7
RWEAs at the previous quarter-end (end of the day)	134.5	619.6	-	-	-	754.1	60.3
Movement in risk levels	34.3	-24.1	-	-	-	10.2	0.8
Model updates/changes	-	-	-	-	-	-	-
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
RWEAs at the end of the reporting period (end of the day)	168.8	760.5	-	-	-	929.3	74.3
Regulatory adjustment	469.1	1,765.8	-	-	-	2,234.9	178.8
RWEAs at the end of the reporting period	**637.9**	**2,526.3**	**-**	**-**	**-**	**3,164.2**	**253.1**

Table 74: Market risk under the IMA (Art. 438 (h) CRR, EU MR2-B (EU) 2021/637)

DESCRIPTION OF THE STRESS TESTS APPLIED

DISCLOSURE REQUIREMENTS Art. 455 (a) (iii) CRR

Stress testing is a key risk management tool which complements the internal model calculations. The market risk stress testing programme in Erste Group covers an extensive range of scenarios and approaches which are applied within the same technical infrastructure established for the VaR and SVaR calculation and with the same scope of coverage. The stress scenarios are based on industry best practices but are tailored to the specifics of Erste Group's portfolio. The stress tests allow for the monitoring of portfolio exposure changes against the key risk factors over time, the examination of the impact of hypothetical scenarios on the value of the portfolio, or the replication of historical crises events based on current exposures. Stress testing is based on the full revaluation approach and hence takes into account potential non-linearity characteristics of the portfolio and covers all relevant risk types.

Stressed value at risk (sVaR)

In contrast to the normal VaR calculation, the simulation does not cover the past two years, but rather a 12-month period during which there were particularly adverse market price fluctuations for the position of the bank. At present, this is the period from 1 July 2008 to 30 June 2009.

Standard scenarios

These are either single factor scenarios, or scenarios defined on a set of related risk factors (e.g. on yield curve level) which examine the isolated effect of an extreme change in the factor on the value of the portfolio. Examples include: up/down shocks to equities, FX rates, interest rates, twists and shifts of the yield curve, etc.

Historical crises scenarios

These are multivariate scenarios designed to simulate the impact of a past crisis event on the valuation of the portfolio given current positioning. The specification of the scenario reflects the risk factor levels and the empirical correlation structure particular to the selected crises period. The advantage of this approach is that no assumptions need to be made about the correlations between market risk factors and that the scenarios are always realistic since they actually happened in the past. Calculations are made for holding periods of 1, 10 and 20 working days, which also generates information on the development of the portfolio under illiquid market conditions. Examples include: Lehman crisis (2008), European debt crisis (2012), etc.

Hypothetical scenarios

These are multivariate scenarios which are defined ad hoc based on recent market developments and trends. The goal is to examine the impact on the portfolio of an abstractly defined adverse event. The definition of the scenario is expert based with the involvement of various units from front office, research, and risk management in order to align on the most relevant hypothetical scenario and define the stressed risk factor levels and implicit correlations. The advantage of this approach is that it is not reliant on historical data and allows for the forward looking simulation of extreme events. Examples include: flight to quality scenarios triggered by political events; reversals in macroeconomic trends leading to extreme market corrections, etc.

BACK-TESTING AND VALIDATION OF THE INTERNAL MODEL

DISCLOSURE REQUIREMENTS Art. 455 (a) (iv) CRR

Back-testing is performed mark-to-model, i.e. based on hypothetical changes in the portfolio value at unchanged daily closing positions as well as on the economic result.

Back-testing is executed in three steps based on the mark-to-model method:
- first, the net present value of the daily closing position is measured at current prices;
- in a second step, the position is then revalued at the next business day's prices;
- the difference represents the hypothetical profit or loss on the trading position given a one-day holding period.

Back-testing is done both for the overall risk and the individual risk types (interest rate, currency, equities, commodity, and volatility) as well as at unit and trading desk level. As for the determination of VaR, the back-testing calculations also employ MRS.

For the economic back-testing, actual profit and loss results are used and, if necessary, corrected for profit and loss resulting from positions not covered by the internal model. The validation methods used that exceed regulatory back-testing include:
- as statistical methods, Kupiec's dual proportion-of-failure test and testing of the independence of outliers to each other;
- validation of the scaling of the holding period of ten days using the square-root-of-time rule;
- validation of the validity of risk factors in product valuation as well as the influence of proxies on market risk factors.

DESCRIPTION OF THE EXTENT AND METHODOLOGIES FOR COMPLIANCE WITH THE REQUIREMENTS PURSUANT TO ART. 104 AND 105 CRR

DISCLOSURE REQUIREMENTS Art. 455 (c) CRR

Market risks are actively taken as part of trading activities including market making, liquidity steering, hedging, and specific types of client servicing. Positions held with a trading intent are assigned to the trading book and subject to the established trading book governance as outlined in the Group Principles for Managing Market Risks.

Valuation at market prices

Generally, all positions in the trading book are valued daily in the front-office system independent of trading operations. The valuation of all positions is done, if possible, based on market data obtained from independent external providers such as Reuters, Bloomberg, etc. Bond positions are valued on bid-ask prices, and exchange-traded securities and trades are valued using the closing prices or the last traded price.

Valuation at model prices

If it is not possible to conduct the valuation at market prices, model prices are used. For this purpose, models commonly used in the market are used (e.g. Black Scholes, Hagan, Hull White, Libor Market). If available, the input data is obtained from the same data providers that are used for determining market prices. The valuation of the positions is done at mean rates. The figures of relevance for the internal model are determined daily in a system independent of trading operations.

The periodic review of market conformity of the models, model parameters and model prices determined is the responsibility of Trading Book Risk Management which operates separately from the trading business. The components of the trading book for which model prices are used are reported periodically to the management board.

Independent price review

The valuations are aligned periodically between Mid-Office and Risk Management. Additionally a reconciliation of the valuations is conducted with Accounting.

Valuation adjustments or reserves

For financial instruments for which a mid-model valuation is determined, product-specific valuation adjustments are derived which take into account prevailing market bid-ask spreads, remaining times to maturity, and instrument specifics which reflect model and liquidity risks. The adjustments are reported separately in the risk systems.

Systems and controls

All models used are documented, aligned between risk management and front office, and periodically audited. An independent validation of valuation models is done by department Market & Liquidity Risk Model Validation. All model parameters and data that cannot be obtained from market providers are documented and are reviewed periodically. The valuation method applied for a specific product is defined and documented in the Product Approval Process. The final approval is given by the MRC, which serves as Product Approval Board.

Generally, three categories are distinguished for positions in the trading book depending on valuation inputs:

Level 1. Financial instruments for which there is a price in an active market belong to this category. An active market is a market in which there are transactions with sufficient frequency and volume.

Level 2. Level 2 instruments use inputs to the valuation that are not included in Level 1; these inputs may be directly observable (prices) or indirectly observable inputs (derived from prices). When a financial instrument has a fixed maturity, Level 2 inputs must be observable for the entire life (for example the discount curve for a bond or swap). The following inputs belong to Level 2:

- prices quoted for similar instruments in active markets;
- prices quoted for identical or similar financial instruments in inactive markets;
- inputs that do not represent prices such as interest rates (if available for the entire life), volatilities, prepayment rates and default rates;
- inputs that may be derived from observable market data.

Level 3. These are instruments where the valuation uses inputs that are not based on observable market data. Unobservable inputs may be used if there are no observable inputs to determine the fair value of a financial instrument for which there is no active market. Unobservable inputs must reflect the assumptions that market participants would make in their assessment. When measuring unobservable inputs as much information as possible must be used, including internal data.

Prudent valuation

The CRR sets out requirements relating to prudent valuation adjustments (Article 105) of all asset and liability positions measured at fair value, including those positions not in the trading book, to determine prudent values that achieve an appropriate degree of certainty.

In Article 34 ("Additional value adjustments") of the CRR, the demand for additional value adjustments, as specified in Article 105 CRR ("Requirements for prudent valuation") is laid down as mandatory from 1 January 2014. In accordance with the CRR and the relevant Regulatory Technical Standards, the absolute sum of fair valued assets and liabilities lies above the threshold of EUR 15 billion and hence Erste Group implemented additional value adjustments under the 'core approach'. Additional value adjustments are applied to the fair values of the positions to calculate an asset's 'prudent' value in the sense that the prudent value is unfavourable or equal to a realised value with a certainty of 90%. The implemented valuation adjustment framework encompasses the following valuation adjustment types: market price uncertainty, model risk, unearned credit spreads, investing and funding costs, concentrated positions, and future administrative costs. Valuation adjustments for operational risk, early termination and close out costs are not evaluated explicitly in the prudent valuation process in order to avoid double counting, as they are covered elsewhere in the risk and valuation measurement framework. The valuation adjustment calibration relies primarily on quantitative methods for measuring the individual valuation adjustments with only limited use of expert based approaches where a straightforward quantification cannot be applied to the bank's methodological valuation approach. The additional value adjustments reduce the regulatory Common Equity Tier 1 capital.

in EUR million	Risk category					Category level AVA - Valuation uncertainty		Category level post-diversification		
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	Total	Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
Market price uncertainty	18.4	14.2	0.7	35.4	0.3	5.0	13.2	52.7	14.2	38.5
Close-out cost	-	-	-	-	-	-	-	-	-	-
Concentrated positions	13.2	7.4	-	16.7	-	-	-	37.4	10.1	27.2
Early termination	-	-	-	-	-	-	-	-	-	-
Model risk	9.4	0.6	0.7	1.4	-	-	-	6.1	6.1	-
Operational risk	-	-	-	-	-	-	-	-	-	-
Future administrative costs	2.3	3.6	1.0	1.3	-	-	-	8.2	8.2	0.0
Total Additional Valuation Adjustments (AVAs)								**104.2**	**38.6**	**65.7**

Table 75: Prudent valuation adjustments (PVA) (Art. 436 (e) CRR, EU PV1- (EU) 2021/637)

Quantitative disclosure on market risk

DISCLOSURE REQUIREMENTS Art. 455 (d) (i – ii) (g) CRR

The table below shows the maximum, the mean and the minimum VaR and sVaR values of the reporting period as well as the value at the end of the reporting period.

in EUR million	
VaR (10 day 99%)	
Maximum value	21.3
Average value	14.3
Minimum value	9.8
Period end	13.5
SVaR (10 day 99%)	
Maximum value	81.1
Average value	58.0
Minimum value	45.8
Period end	60.8
IRC (99.9%)	
Maximum value	
Average value	
Minimum value	
Period end	
Comprehensive risk measure (99.9%)	
Maximum value	
Average value	
Minimum value	
Period end	

Table 76: IMA values for trading portfolios (Art. 455 (d) CRR, EU MR3 (EU) 2021/637)

The figure below shows the back-testing results referring to the market risk in the trading book of the reporting year. It provides a comparison of the daily VaR estimates with both the mark-to-model back-testing and actual gains/losses of the bank. Valuation adjustment related to bid-ask spread of securities are included in the actual back-testing. All other reserves and valuation adjustments are not included in back-testing.

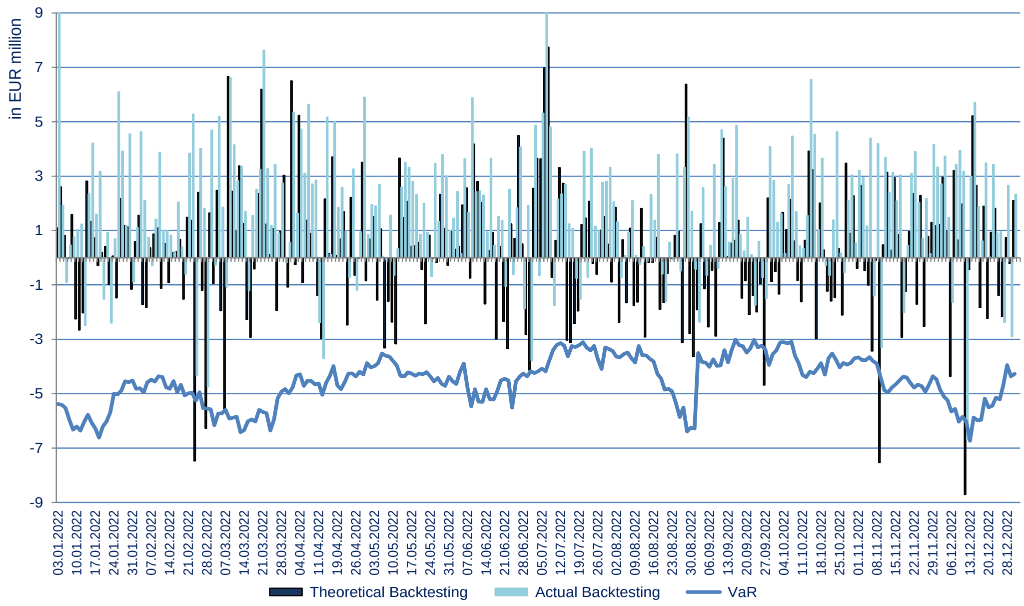

Figure 5: Comparison of VaR estimates with gains/losses (Art. 455 (g) and EU MR4 (EU) 2021/637)

As of year end 2022 the number of VaR backtesting outliers is 6 and hence the regulatory multiplier has a value of 3.5. Three of the outliers were clustered in late February and early March and were related to market reaction to the war in the Ukraine. The remaining three outliers were caused by sharp market moves related to central bank intervention or market expectations regarding inflation and interest rates.

Liquidity Risk

GOALS AND PRINCIPLES OF RISK MANAGEMENT

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) 451a (4) CRR

Liquidity risk management framework

The liquidity risk in Erste Group is defined in line with the principles set out by the Basel Committee on Banking Supervision as well as the European and Austrian regulations (Regulation (EU) No 575/2013 (CRR) amended by the Regulation (EU) No 2019/876 (CRR 2), Commission Delegated Regulation (EU) 2015/61 amended by Commission Delegated Regulation (EU) 2018/1620, Kreditinstitute-Risikomanagement-Verordnung - KI-RMV). Accordingly, a distinction is made between market liquidity risk, which is the risk that the group entities cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the banks in the group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the group members.

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

Erste Group has defined and implemented a Group Risk Strategy, which is approved by the Holding Board and the Supervisory Board on an annual basis. The Group Risk Strategy defines, inter alia, the Risk Appetite for liquidity risk as a part of the Group Risk Appetite Statement. In line with the Group Risk Appetite Statement, key liquidity principles are defined to ensure that processes are in place to manage the liquidity risk profile and the strategic limits are set in the Group Risk Strategy. These are further translated into operating limits and liquidity risk management policies. In addition to that, governance arrangements are in place to address any adverse developments of the Erste Group's liquidity profile.

Structure and organization of the liquidity risk management function

Erste Group Bank AG has the central liquidity risk management function for Erste Group in addition to the responsibility for its solo level functions, i.e. it defines the principles and methodology for liquidity risk management for the other entities and ensures their proper implementation at local level. The legal entity structure of Erste Group consists of 3 levels, with Erste Group Bank AG as the top institute for the Group. Level 2 includes the core subsidiaries of Erste Group Bank AG and the Austrian savings banks, while Level 3 includes the other subsidiaries of Erste Group Bank AG and the subsidiaries of the entities at Level 2. They are also responsible for the accurate and timely delivery of the data relevant for liquidity risk measurement to the Erste Group Bank AG.

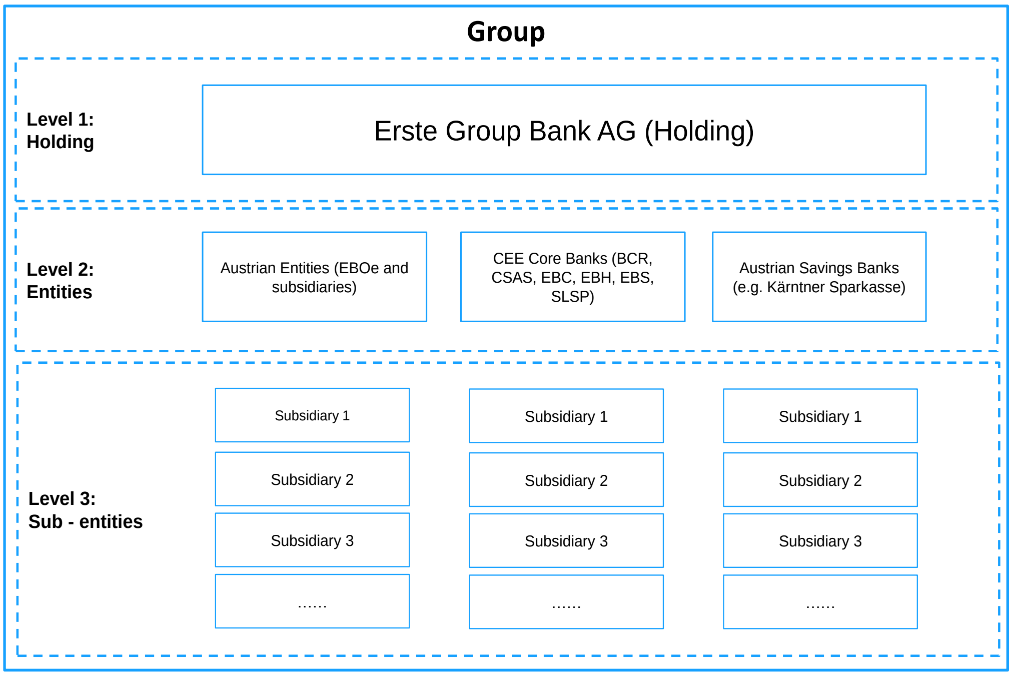

Figure 6: Levels of Erste Group's legal entity structure

The organizational structure of Erste Group ensures the Liquidity Risk Management at both decision-making and operational level. The figure below provides an overview of the governance structure for liquidity risk management at Group level:

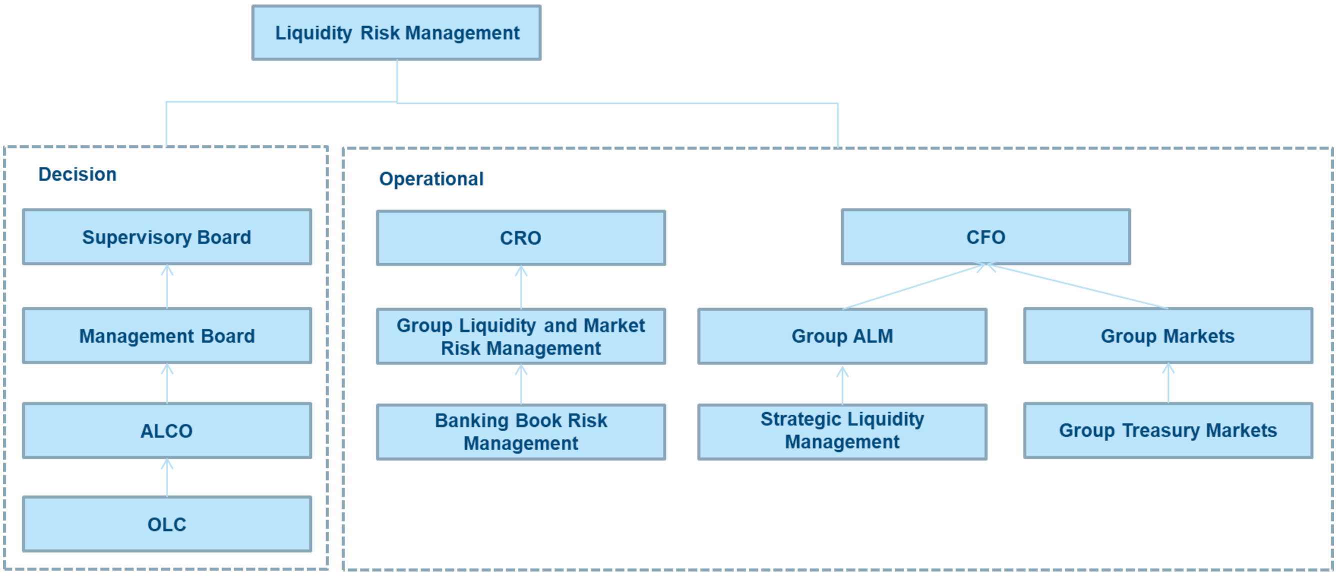

Figure 7: Governance structure for liquidity risk management

A detailed overview of the various bodies and organizational units involved in the liquidity risk governance process at both the group and local entity level is described in the Group ILAAP Policy.

RISK MEASUREMENT AND CONTROL

Erste Group produces a number of regular reports for both internal and external (predominantly supervisory authorities) stakeholders. These reports are covering both, structural liquidity risk as well as insolvency risk and are used to monitor and steer the liquidity position in Erste Group.

Erste Group has a new state of the art group wide technical architecture, which allows a daily reporting of Liquidity Coverage Ratio (LCR) for group entities as well as group consolidated. Also, all other internal or external liquidity metrics as Net Stable Funding Ratio (NSFR) and Additional Liquidity Monitoring Metrics (ALMM) are reported out of this environment. The new environment enables monitoring of liquidity metrics even on a daily basis.

Survival period analysis (SPA)

The short-term insolvency risk is monitored and limited by calculating the survival period for each material currency on both entity and group levels. This analysis determines the maximum period during which the entity can survive a set of defined scenarios, including a severe combined market and idiosyncratic crisis while relying on its pool of liquid assets. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows. Furthermore, the simulation assumes increased drawdown on guarantees and loan commitments dependent on the type of customer, as well as the potential outflows from collateralized derivative transactions estimating the effect of collateral outflows in the case of adverse market movements. The SPA is part of the Group RAS ensuring sufficient short term liquidity to overcome pre-defined liquidity stress scenarios.

Structural Liquidity Ratio (STRL)

The structural liquidity metric is measuring the structural funding gap ensuring an appropriate balance between assets and liabilities in the medium and long term time horizons avoiding excessive maturities transformation and consequently avoiding increased pressure on the short term liquidity position. The STRL is part of the Group Risk Strategy ensuring a sound long term funding structure.

Liquidity coverage ratio (LCR)

Erste Group is reporting the Liquidity Coverage ratio according to the delegated regulation (EU) 2015/61 amended by Commission Delegated Regulation (EU) 2018/1620 to the authorities on solo and group level. The LCR is part of the Group RAS targeting to be well above the regulatory requirement.

Net Stable Funding Ratio (NSFR)

Erste Group is reporting the Net Stable Funding Ratio (NSFR) according to the Regulation (EU) 2019/876 amending the Regulation (EU) No 575/2013 (final CRR 2). to the authorities on solo and group level. The NSFR is part of the Group RAS targeting to be well above the regulatory requirement.

Concentration analysis

Concentration risks in terms of funding providers, products and assets in the counterbalancing capacity (CBC) are regularly monitored and reported to the regulator.

Comprehensive stress testing and recovery and resolution planning

Additional scenarios are analysed to further elaborate on the main vulnerabilities of Erste Group's liquidity position. These scenarios are elaborated based on specific storylines. The scenarios and the relevant stress parameters are taken from historical evidence where available. When historical evidence is not available, expert opinions and assumptions are used.

Funds transfer pricing (FTP)

The Funds Transfer Pricing (FTP) of Erste Group has proven to be an efficient control instrument for the management of structural liquidity risk.

METHODS AND INSTRUMENTS OF RISK MITIGATION

Erste Group uses a number of measurement tools and metrics to quantify liquidity risk. In addition to regulatory measures (e.g. LCR, NSFR, ALMM and AE), Erste Group defines its own internal metrics. The key internal metric is the Survival Period Analysis (SPA), which serves as the key tool to measure insolvency risk in Erste Group. It focuses on a up to one-year horizon and uses a dynamic stress testing methodology. The FTP system is yet another important instrument for managing and steering the liquidity risk within Erste Group Bank AG in relation to its subsidiaries. Early warning indicators also form an integral part of the liquidity risk management framework, in particular with respect to detecting the type and severity of liquidity stress events.

Limits are defined centrally and locally in the Risk Appetite Statement and the Risk Strategies. Limit breaches are reported to the Operational Liquidity Committee (OLC) and the Group Asset Liability Committee (ALCO).

Additional important information for liquidity management can be obtained via the process of planning funding needs. Therefore, a detailed overview of funding needs is prepared over the whole planning horizon. It covers all major entities in the Group and is prepared at least annually as part of the Group ALM Strategy.

The Contingency Funding Plans (CFPs) of Erste Group's entities ensure an adequate set of liquidity enhancing actions in times of stress as well as the necessary coordination of all parties involved in the liquidity management process. The CFPs are reviewed at least annually and are checked for compliance with minimum standards set within the Group Liquidity Management Policy.

ADEQUACY OF LIQUIDITY RISK MANAGEMENT

The concise statement on liquidity risk or more exact the Comprehensive Statement on Liquidity Adequacy provides an overview of major principles for managing the liquidity adequacy of Erste Group. It is following the bank's business strategy and operational environments in order to keep the current amount of liquid resources on an adequate level and to ensure a prudent funding profile. In addition, major liquidity risk measures and limits for external and internal reporting and for internal steering of liquidity risk are included. The statement is updated on a yearly basis in course of ILAAP.

LIQUIDITY MANAGEMENT IN ERSTE GROUP

Liquidity management is a joint effort of ALM Group Balance Sheet Management units and Group Markets units within Erste Group. Generally, ALM Group Balance Sheet Management units are responsible for structural liquidity management while Group Markets units are responsible for day-to-day liquidity management and execution of liquidity relevant transactions.
Structural Liquidity Management is performed by local ALM units for the entities falling under their local scope of consolidation, thereby following the principles and guidelines outlined in the Group Liquidity Management Policy, whose owner is Group ALM. Hence, local ALM units are responsible to create a local Liquidity Strategy for their partial subgroup, which is approved by the local Board of Directors after alignment with Group ALM.

Furthermore, Group ALM sets requirements on the set-up and statutes of the local Operative Liquidity Committees. In addition, Group ALM performs an analysis of whether each local entity's liquidity strategy meets the requirements set out in the Group Liquidity Management Policy. Based on all local entities' liquidity strategies, Group ALM creates the Group's (and Holding's) Liquidity Strategy which is approved by Group ALCO in the beginning of each year.

Throughout the year Group ALM oversees liquidity management across the Group by monitoring liquidity indicators and balance sheet developments of all entities on individual and on Group level. In addition, Group ALM manages the liquidity flows within the Group in its role as a central liquidity hub for all entities of the Group in major currencies and as the owner of the intra-group funding pricing policy. Furthermore, guidance is provided to local ALM units regarding principles and minimum standards for the management of local liquidity buffers. Group ALM is also responsible to reflect the costs and benefits of compliance with different liquidity-related limits and regulations in the internal Funds Transfer Price system, whose design and methodology are defined in the Group FTP policy. In terms of crisis management, Group ALM sets minimum standards for local entities' Contingency Funding Plans and performs a check of whether each entity's CFP is compliant with those requirements.

LIQUIDITY COVERAGE RATIO
DISCLOSURE REQUIREMENTS Art. 451a (2) CRR

in EUR million	Total percentage (%) unweighted value (average)				Total percentage (%) weighted value (average)			
Quarter ending on (DD Month YYY)	31/12/2022	30/09/2022	30/06/2022	31/03/2022	31/12/2022	30/09/2022	30/06/2022	31/03/2022
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					96,494.13	92,624.61	90,821.47	88,496.89
CASH - OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	155,432.0	153,984.1	151,870.9	149,262.7	10,785.5	10,701.4	10,560.0	10,268.2
Stable deposits	94,512.5	94,529.1	94,156.8	92,485.8	4,725.6	4,726.5	4,707.8	4,624.3
Less stable deposits	53,583.1	52,889.3	51,810.0	49,925.7	5,999.5	5,910.9	5,778.1	5,551.5
Unsecured wholesale funding	93,681.6	87,239.9	81,704.3	76,729.7	58,816.3	53,305.3	49,053.4	45,197.6
Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,083.5	7,950.2	7,936.0	7,803.2	1,929.2	1,898.5	1,898.3	1,868.2
Non-operational deposits (all counterparties)	81,303.1	75,713.0	69,669.5	65,633.8	52,592.1	47,830.0	43,056.4	40,036.6
Unsecured debt	4,295.0	3,576.8	4,098.7	3,292.8	4,295.0	3,576.8	4,098.7	3,292.8
Secured wholesale funding					463.5	484.1	531.2	442.2
Additional requirements	53,939.8	50,305.7	45,197.9	39,825.2	25,108.6	22,006.7	17,729.2	13,235.8
Outflows related to derivative exposures and other collateral requirements	21,756.9	18,805.8	14,642.5	10,276.7	21,756.9	18,805.8	14,642.5	10,276.7
Outflows related to loss of funding on debt products	179.2	130.7	131.8	133.7	179.2	130.7	131.8	133.7
Credit and liquidity facilities	32,003.7	31,369.2	30,423.6	29,414.8	3,172.5	3,070.2	2,954.9	2,825.4
Other contractual funding obligations	3,401.5	3,042.5	2,977.8	2,694.8	3,072.4	2,723.2	2,676.0	2,404.5
Other contingent funding obligations	33,162.1	31,624.6	30,062.3	28,194.7	918.4	876.0	832.5	779.9
TOTAL CASH OUTFLOWS					99,164.7	90,096.8	81,382.4	72,328.1
CASH - INFLOWS								
Secured lending (e.g. reverse repos)	21,285.9	21,208.6	21,223.5	20,467.6	17.9	7.7	11.1	14.0
Inflows from fully performing exposures	8,968.6	9,471.8	8,927.3	8,395.3	7,000.3	7,600.3	7,209.8	6,835.0
Other cash inflows	24,868.6	21,708.2	17,469.2	12,712.2	23,137.7	20,158.4	15,990.1	11,275.3
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0.0	0.0	0.0	0.0
(Excess inflows from a related specialised credit institution)					0.0	0.0	0.0	0.0
TOTAL CASH INFLOWS	55,123.1	52,388.5	47,620.1	41,575.2	30,155.8	27,766.3	23,211.0	18,124.4
Fully exempt inflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inflows subject to 90% cap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inflows subject to 75% cap	55,006.3	52,388.5	47,620.1	41,575.2	30,155.8	27,766.3	23,211.0	18,124.4
					TOTAL ADJUSTED VALUE			
LIQUIDITY BUFFER					96,494.1	92,624.6	90,821.5	88,496.9
TOTAL NET CASH OUTFLOWS					69,008.9	62,330.5	58,171.3	54,203.7
LIQUIDITY COVERAGE RATIO					141.8%	150.7%	158.1%	165.4%

Table 77: Quantitative information on LCR (values are calculated as averages of month-end observations over the number of data points as outlined in the table) (Art. 451a (2) CRR, EU LIQ1 (EU) 2021/637)

Further details on the items included in the quantitative information of LCR

Diversification of the liquidity buffer and funding sources in Erste Group is ensured by the relevant policies and the implementation of a regular monitoring of the HQLA and funding concentration in diverse categories. The monitoring is done on a monthly basis through the ALMM reports, which has the needed granularity. Derivative exposures and all potential collateral calls are considered in Erste Group's LCR calculation and reported accordingly in the appropriate categories. The LCR is calculated and monitored for all significant currencies of Erste Group. The review of significant currencies is done either in case of significant business strategy changes or at least on an annual basis.

Main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time

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

Explanations on the changes in the LCR over time

Decrease of ERSTE Groups LCR is mainly driven by an increase of net cash outflows.

Explanations on the actual concentration of funding sources

Diversification of funding sources is part of the regular monitoring of HQLAs and funding sources in several categories.

High-level description of the composition of the institution`s liquidity buffer.

99,5% of the HQLAs in ERSTE Group are Level 1 assets, mainly central bank reserves, central bank assets and central government assets.

Derivative exposures and potential collateral calls

Derivative exposures and all potential collateral calls are considered in Erste Group's LCR calculation and reported accordingly in the appropriate categories. Their impact on the LCR itself is insignificant.

Currency mismatch in the LCR

LCR for ERSTE Group is calculated for the currencies EUR, CZK and USD as significant currencies. For EUR and CZK the currency LCR is well above 100%, for USD it is below. Considering the possibility to use some EUR collateral for USD funding as well this is seen as no issue.

NET STABLE FUNDING RATIO

DISCLOSURE REQUIREMENTS Art. 451a (3) CRR

in EUR million	No maturity	Unweighted value by residual maturity < 6 months	6 months to < 1yr	≥ 1yr	Weighted value
Available stable funding (ASF) Items					
Capital items and instruments	24,050.5	6.9	40.8	2,929.1	26,979.6
Own funds	24,050.5	6.9	40.8	2,929.1	26,979.6
Other capital instruments		-	-	-	-
Retail deposits		152,949.4	1,542.7	2,764.6	146,778.9
Stable deposits		98,621.9	805.5	616.3	95,072.3
Less stable deposits		54,327.4	737.2	2,148.4	51,706.6
Wholesale funding:		85,046.1	5,797.8	45,461.5	75,166.8
Operational deposits		8,531.9	1.8	2.4	1,241.6
Other wholesale funding		76,514.2	5,796.1	45,459.1	73,925.2
Interdependent liabilities		-	-	-	-
Other liabilities:	1,058.8	841.1	2,707.8	1,458.7	2,812.6
NSFR derivative liabilities	1,058.8				
All other liabilities and capital instruments not included in the above categories		841.1	2,707.8	1,458.7	2,812.6
Total available stable funding (ASF)					251,738.0
Required stable funding (RSF) Items					
Total high-quality liquid assets (HQLA)					5,628.8
Assets encumbered for more than 12m in cover pool		1,021.9	982.8	34,033.4	30,632.4
Deposits held at other financial institutions for operational purposes		-	-	-	-
Performing loans and securities:		41,084.8	15,135.4	142,770.3	132,738.2
Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		13,243.5	791.5	627.7	1,023.5
Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		2,283.2	558.8	4,571.4	5,067.0
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		20,461.9	9,224.8	70,886.3	117,594.8
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		5,162.5	2,165.3	14,143.5	43,424.9
Performing residential mortgages, of which:		2,874.9	2,825.1	58,143.8	-
With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		1,361.0	1,332.5	43,148.3	-
Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		2,221.3	1,736.8	8,541.1	9,054.2
Interdependent assets		-	-	-	-
Other assets:	-	5,633.3	1,298.0	10,017.4	9,301.4
Physical traded commodities				-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		1,028.6	-	-	874.3
NSFR derivative assets		-			-
NSFR derivative liabilities before deduction of variation margin posted		3,306.2			165.3
All other assets not included in the above categories		1,298.5	1,298.0	10,017.4	8,261.8
Off-balance sheet items		14,737.3	7,625.9	21,668.3	2,671.3
Total RSF					181,003.2
Net Stable Funding Ratio (%)					139.1%

Table 78: Net stable funding ratio (Art. 451a (3) CRR, EU LIQ2 (EU) 2021/637)

Interest rate risk

Goals and principles of risk management

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) AND 448 (1) (c-g) and 448 (2) CRR

Interest rate risk is the risk that the bank's earnings and/or economic value might be negatively affected by changes in interest rates. Changes in the yield curve can have a negative effect on net interest income. These changes also affect the market value of assets, liabilities and off-balance sheet items, as the future payments (and thus also their NPV) vary directly with changes in interest rates. As a consequence, an effective risk management process that keeps the impacts of interest rate changes on the bank's balance sheet within appropriate limits is of fundamental importance for the security and creditworthiness of the bank.

The types of interest rate risk to which the Group is exposed are:

_ gap risk – results from the term structure of interest rate sensitive instruments that arises from difference in the timing of their rate changes, covering changes to the term structure of interest rates occurring consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk);
_ basis risk – arises from the imperfect correlation in the adjustment of the rates earned and paid on different interest rate sensitive instruments with otherwise similar rate change characteristics;
_ option risk – results from options (embedded and explicit), where the institution or its customer can alter the level and timing of their cash flows;
_ model risk.

The interest rate risk management process is governed by clear responsibilities of all stakeholders in the interest rate risk framework (as described in section "Organisation") and can be divided into four high level components:

_ Risk identification;
_ Risk measurement;
_ Risk management and risk control;
_ Risk reporting.

ORGANISATION

The Group Asset Liability Committee (Group ALCO) is the highest decision-making committee concerning all aspects of interest rate risk management in the banking book and consists of all members of the Board of Directors. The purpose of the Group ALCO is to manage the consolidated balance sheet (BS) of Erste Group, focusing on a trade-off between all consolidated balance sheet risks (interest rate (IR), foreign exchange (FX), liquidity, credit) and Erste Group's P&L by performing management actions on the Holding Balance Sheet and by setting the Group standards and limits for EGB members. It meets monthly within the scope of the regular management board meetings.

The Banking Book Committee (BBC) is a sub-committee supporting the Group ALCO. In the BBC, all relevant topics regarding IRRBB are pre-discussed before being reported to Group ALCO. Additionally, the BBC has the mandate to approve banking book risk models and validation findings as well as the approval of risk validation work plans and reports.

The tasks of Group Balance Sheet Management comprise the management of interest risk on the banking book of Erste Group and the further development and maintenance of the Funds Transfer Pricing (FTP) system while Banking Book Risk Management (BBRM) is responsible for risk monitoring and controlling. For Erste Group's Austrian subsidiaries and the savings banks a special service model is applied where local ALCO coverage is provided by ALM of EBOe and Group BBRM respectively. The foreign subsidiaries have their own ALM and risk departments, which are responsible for the analyses and the preparation of the documents. With respect to these subsidiaries, the responsibility of Erste Group's Balance Sheet Management and risk department is safeguarding uniform standards of analysis and ensuring that the ALM tasks in the subsidiaries are performed in accordance with the Group guidelines.

RISK IDENTIFICATION

Erste Group runs a centralised risk system which is used by ALM and Banking Book Risk Management (BBRM) in Holding as well as by local ALM and risk departments in the EGB members. This system allows both Group-level planning and consolidation as well as the modelling of interest rate risk on the balance sheet of Erste Group. It can capture all sources of interest rate risk and calculates their effect on the balance sheet of Erste Group. The data for the current portfolio, market data for the cut-off date in question and the assumptions on future portfolio developments (volume, margins, etc.) are all entered into this system. It measures both the effect on profit/loss and the market value of the banking book positions. The data is organised by account and product. The account structure corresponds to that of the IFRS balance sheet, while the product structure represents the currency and the interest rate-related behaviour of the products in the Group.

Key assumptions used in risk modelling

The behavioural model for demand deposits (split into entity dependent clusters like retail, SME, corporates, sovereign, …) used for risk measurement are based on a life cycle framework. The number of accounts (attrition model), the average balance per account (average balance model) and the average deposit rate (deposit rate model) are modelled separately. For each cluster the core and non-core balances and interest rate sensitivity of the balance are derived. The run-off profile is determined by the combination of the attrition rate model (for core balances) and a modelled short term outflow (for non-core balances). The estimated future interest rate cash flows are determined by the deposit rate model. For the reporting period the average repricing maturity for non-maturity deposits assigned across all segments (retail transactional, retail non-transactional, non-retail) is 2.34 years. Erste Group uses 20 years as the longest repricing maturity. The weighted average life resulting from the run-off profiles for demand deposits is capped with 5 years according to the regulatory maximum defined in EBA/GL/2018/02.

A model for client behaviour regarding loan prepayment is also used for the measurement and steering of interest rate risk in the banking book. Similar to the demand deposits loans are clustered combining loans with similar characteristics (entity, client type, loan type, currency, interest rate behaviour). The prepayment ratio is estimated from historical observations and clusters are tested for interest rate sensitivity of the prepayment ratio.

For Overdrafts and Credit Cards an attrition model is applied as well as an average coupon model.

RISK MEASUREMENT

In general, there are four methodologies applied to measure interest rate risk in the banking book:
- Sensitivity measures (BP01, CR01) to assess the market value sensitivity of certain portfolios;
- Economic value measures (EVE) to assess the market value change under certain scenarios;
- Earnings at risk measure (NII sensitivity, OCI sensitivity) to assess the impact on operating income of certain scenarios on Group level;
- Value at Risk based measures to assess all aggregated risk types on Group level and used for economic capital allocation under Pillar 2.

In addition, measures are implemented to estimate the basis risk, option risk and model risk throughout the entire Group.

Based on these tools a big variety of scenarios are assessed on a regular basis to capture all aspects of interest rate risk.

RISK MANAGEMENT AND RISK CONTROL

For the ongoing monitoring of interest rate risk, the following three main tools are used:
- Sensitivity measures (BP01, CR01);
- Economic value measure (EVE);
- Earnings at risk measure (NII sensitivity);

The sensitivity measures (BP01, CR01) focus on the general positioning of the banking book portfolio and serve as an initial starting point for deeper analysis. The economic value measure (EVE) analyses the banking book by means of NPV simulations of the market value, for example the effect of a +/- 200 bps interest rate shock and the EBA standard scenarios on market values. It provides insights on the balance of fixed rate assets versus fixed rate liabilities and indicates the impact of yield curve shocks on the future profitability of the bank in the long run. The earnings at risk measure assesses the accounting impact of interest rate changes under various scenarios focussing on the next 12 months and provides insights on P&L changes stemming from changes in interest rates.

The interest rate risk strategy of the Group sets out interest rate targets and is based on the optimisation of market risk and income possibilities, i.e. all measures developed in the interest rate strategy are analysed with respect to their effect on the income defined in the financial projections and on the market value. The interest rate risk strategy is approved by the Group ALCO on an annual basis and periodically reviewed to ensure that it is up to date. A modification may become necessary due to changes in the business plan or the market situation and is therefore a requirement for active risk control.

Based on the targets set out in the interest rate strategy, the results of the regular analysis and the economic forecast, investment and hedging recommendations are presented to the Group ALCO. These recommendations may increase or decrease risk. They may be implemented by means of on-balance sheet or off-balance sheet transactions. For cash flow hedges and fair value hedges, the relationship between the underlying transaction and the hedge (effectiveness) is continually monitored and documented.

INTEREST RATE RISK REPORTING

The interest rate risk of Erste Group is calculated separately for each relevant currency and reported on the monthly basis to Group ALCO. Furthermore, materials on the following topics are prepared for the Group ALCO:

- Market overview;
- Periodic and economic risk ratios and measures related to market risk (Market Risk Banking Book Pillar 2 RWA, EVE, BP01, CR01, VaR, etc);
- Positions (held-to-maturity portfolios in the Group, strategies);
- Balance sheet movements (equity, liquidity, primary deposits, non-bank business); and
- Liquidity management.

Quantitative disclosure on interest rate risk

DISCLOSURE REQUIREMENTS Art. 448 (a) (b) CRR

The potential effects of interest rate changes on equity of the Group are analysed at Erste Group using the simulation method already described under “Risk Measurement and Control”. Simulation models make it possible to apply maximum precision and flexibility to risk measurement, also for complex portfolio structures. The NPV simulation accounts for all future cash flows based on current knowledge.

in EUR million	Changes of the economic value of equity		Changes of the net interest income	
Supervisory shock scenarios	Dec-22	Jun-22	Dec-22	Jun-22
Parallel up	-1,489.7	-1,534.4	-168.8	69.0
Parallel down	522.0	539.0	-654.8	-192.6
Steepener	179.5	151.8		
Flattener	-625.8	-551.5		
Short rates up	-973.4	-874.8		
Short rates down	476.8	569.3		

Table 79: Interest rate risks of non-trading book activities (Art. 448 (a) (b) CRR, EU IRRBB1 EBA/ITS/2021/07)

Operational Risk

Goals and principles of risk management

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) 446 AND 454 CRR

Pursuant to Article 4 (52) CRR, Erste Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk, model risk and ICT risk, but not strategic and reputational risk. Both quantitative and qualitative methods are used to identify operational risks and are refined further in order to capture all information relevant to risk management.

ORGANISATION

While the business areas and infrastructure units are responsible for the daily management of operational risks, Operational & Non-Financial Risk is responsible for operational risk control across all business areas and countries as well as for the uniform application of the strategy and Group standards for operational risk management in all areas of the bank. In detail, this results in the following tasks:

_ identification of potential risks; including measures for early detection and risk avoidance;
_ definition of ratios, risk indicators and guidelines;
_ implementation, management and ongoing administration of the loss database;
_ calculation of scenarios and assessment of specific risk situations;
_ Group-wide calculation of the own funds requirement for all operational risks and execution of stress tests;
_ analysis and periodic reporting;
_ promoting “three lines of defence” governance model through operational risk methods;
_ definition of the Group’s risk appetite and setting the limits of the residual operational risk tolerated by Erste Group;
_ further development of methods.

Operational risk management is part of the division Enterprise wide Risk Management. The structure of operational risk management and control at Erste Group is also defined in the Group Policy for Managing Operational Risk in order to safeguard the complete identification of all risk components and consistent treatment of all operational risks.

RISK MEASUREMENT AND CONTROL

The quantitative measurement methods are based on internal loss data, which is collected throughout the Group using a standard methodology and entered in a central data pool. In order to model losses that have not yet occurred but are nonetheless possible, scenarios and external data are used. In this context it is worth noting that Erste Group has been a member of the Operational Riskdata eXchange Association, an international risk loss data consortium, since 2006, and participates in the consortium on a Group-wide basis.

Apart from quantitative approaches, qualitative approaches are used to determine operational risk, primarily by performing risk analysis surveys (Risk Control Self Assessments). In order to also ensure early detection of potential risks, a series of risk indicators were developed and implemented at the Group level.

The results and proposals for risk control derived from the quantitative and qualitative processes are reported to line management and form the basis for measures to reduce operational risk. Furthermore, Erste Group defined its risk appetite for operational risk and all operational risk decisions are to be taken bearing in mind adequately balanced costs and benefits commensurate with the RAS.

RISK HEDGING

Since the beginning of 2004, the insurance contracts for operational risks of Erste Group’s core institutions have been combined in a Group-wide insurance programme. This reduced the cost of meeting the Group’s traditional property insurance needs and thus made it possible to buy additional insurance for previously uninsured banking-specific risks. The savings potential and the additional cover are achieved – while keeping expenses unchanged as far as possible – by having a certain share of the loss or damage assumed by the Group’s own insurance company, Erste Reinsurance S.A. This makes it possible to diversify operational risk within Erste Group.

OPERATIONAL RISK REPORTING

Information on operational risks is reported regularly to the management board. This is done within the scope of various reports, most importantly the quarterly Group Risk Report, which informs on recent losses, loss trends, qualitative information derived from Risk Control Self-Assessments, NFR decisions, risk indicators, key ratios and the Erste Group VaR for operational risk.

Approaches for the assessment of minimum capital requirements

DISCLOSURE REQUIREMENTS Art. 446 CRR

In 2009, Erste Group was granted approval by the supervisory bodies to apply the AMA at the Group level for five entities:
- Erste Group Bank AG;
- Erste Bank der Oesterreichischen Sparkassen AG;
- Česká spořitelna a.s.;
- Slovenská sporiteľňa a.s.;
- Erste Bank Hungary Zrt.

In 2010 the approval was extended to two further entities:
- Banca Comercială Română;
- Erste & Steiermärkische Bank d.d.

The scope of application of the AMA was further enlarged in the second half of 2011 by two entities:
- Bausparkasse der österreichischen Sparkassen AG;
- Stavební spořitelna České spořitelny, a.s.

In 2012, another five entities were approved:
- Steiermärkische Sparkasse Bank AG;
- Kärntner Sparkasse AG;
- Salzburger Sparkasse AG;
- Tiroler Sparkasse Bank AG Innsbruck;
- Brokerjet Bank AG.

In 2013 the following entity was approved:
- ERSTE BANK AD NOVI SAD.

In 2014 Brokerjet Bank AG was merged into EBOe.

The AMA is used in all entities listed above in all areas of application.

Steiermärkische Sparkasse Bank AG was added to the Insurance program on Group level (approved in Q4 2017); Hence, risk mitigating effects within the Advanced Measurement Approach are applied to all entities as of Q4 2018.

Minimum capital requirements for those subsidiaries that do not yet apply the AMA are calculated using the BIA.

Advanced Measurement Approach

DISCLOSURE REQUIREMENTS Art. 446 CRR

The AMA is a complex approach used for the valuation of operational risk. The required capital is calculated using an internal VaR model taking into account the following factors:
- internal loss data (historic gross loss, net of recoveries excluding insurance recoveries);
- external loss data (data from the external consortium Operational Riskdata eXchange Association);
- scenario analysis (supplements the internal and external data by rare events that may lead to large loss or damage);
- business environment and internal risk control factors (such as risk indicators and risk assessment).

The key ratio in this context for regulatory capital requirements is the VaR at a confidence level of 99.9% for one year, which is computed for all units using the AMA and is distributed across the respective subsidiaries based on a risk-sensitive allocation key.

Furthermore, apart from the regulatory capital requirement under the CRR, the economic risk capital is represented for the material part of the Group using the AMA. Here, all entities providing sufficient loss data information – irrespective of the AMA approval for regulatory capital requirement purposes - are covered within the AMA methodology calculating the VaR at a confidence level of 99.92% for one year. The remaining part is taken into account using the BIA method.

The quantitative methods outlined (based on the central data pool, scenarios and external data) and the qualitative methods (e.g. risk control self-assessments) including the insurance strategy and the modelling approaches, form the operational risk framework of Erste Group.

For the modelling of operational risk, Erste Group uses the Loss Distribution Approach. The modelling of the aggregate loss distribution is done in two steps. In a first step, the individual distributions of loss frequency and loss severity are calculated and then combined using a Monte Carlo simulation. The structure of the Loss Distribution Approach model complies with the CRR requirements.

Apart from internal and external loss data, scenario analyses, the business external and internal control factors (the outputs of risk and control self-assessments, key risk indicators, product approval process, outsourcing process, emerging risks analysis) and the resulting changes to the risk profile are all input factors for the Erste Group AMA model. Erste Group does not take any correlation effects into account in its model. The regulatory capital requirement is not reduced by the expected loss.

The AMA capital value of Erste Group takes into account both unexpected and expected losses of all banks using the AMA. Both the expected loss and the unexpected loss are reported to the management.

The model assumptions and input factors are validated annually by an independent validation function. Following the move of operational risk management to the division Enterprise wide Risk Management the results of the validation are reported to the Strategic Risk Management Committee (before it was reported to Regional Operational Conduct Committee). Furthermore, Erste Group conducts periodic stress tests and sensitivity analyses to assess risk potential.

Differentiation of operational risk from credit and market risk

A loss event relating to credit risk is reported as an operational risk event in the loss database when the operational risk was the actual cause of the loss. In line with regulatory requirements, these losses are not considered in the AMA model for the purposes of calculating operational risk capital requirements. Whenever an event occurs that may be attributed to operational risk or that triggers a loss or gain on the market side, then this is deemed an operational risk, reported as such and included in the AMA capital calculation.

The different types of event categories and their definitions are given under the following chapter “Quantitative disclosure on operational risk”.

Use of insurance for risk mitigation in AMA

DISCLOSURE REQUIREMENTS Art. 454 CRR

Risk mitigating insurance effects under existing insurance contracts, taking into account all applicable legal provisions, are included in the models developed for the insurance-related reduction of capital requirements for operational risk only when the risk is reinsured on the external insurance market. The risk mitigating insurance effects are calculated using a Monte Carlo simulation for all eligible losses. In selecting insurance partners, Erste Reinsurance S.A. strictly observes supervisory requirements. The insurance portfolio and the captive reinsurance activities are periodically audited by Group Audit.

Quantitative disclosure on operational risk

DISCLOSURE REQUIREMENTS Art. 446 AND 454 CRR

The figure below shows the percentage composition by type of event of operational risk as defined in the CRR. It is based on Q4-22 official data for P1 capital requirements (internal loss data for P1 entities from 1 January 2013 to 31 December 2022).

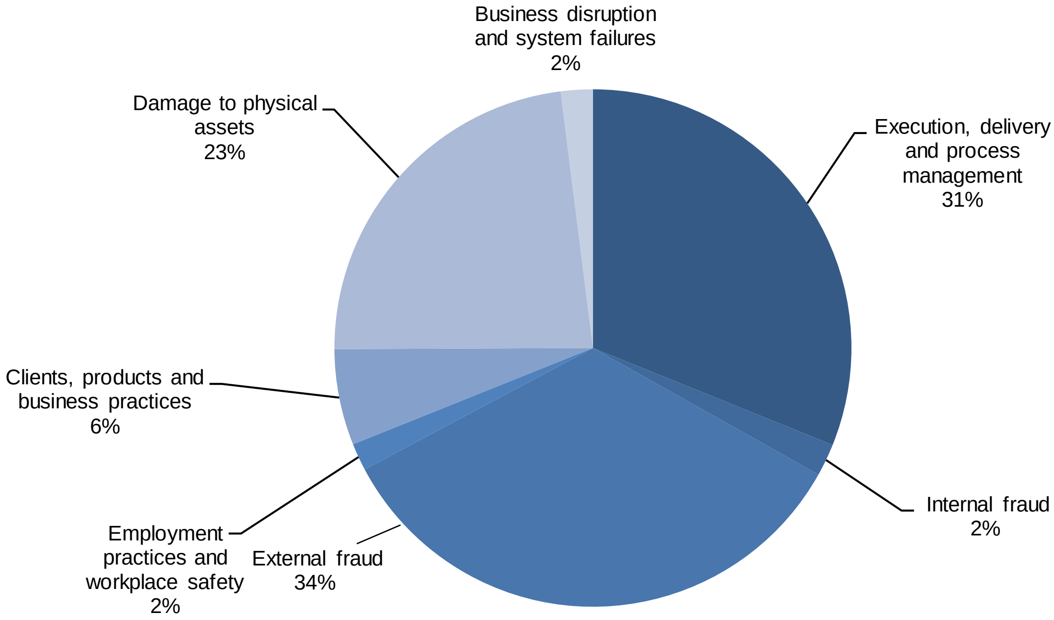

Figure 8: Percentage composition by type of event of operational risk (related to number of OpRisk events)

The different types of event categories are defined as follows:

Internal fraud. Losses due to acts intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity/discrimination loss events, which involve at least one internal party.

External fraud. Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law by a third party.

Employment practices and workplace safety. Losses arising from acts in breach of employment, health or safety laws and agreements; losses from payment of personal injury claims; from diversity/discrimination events.

Clients, products and business practices. Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements); losses due to the nature or design of a product.

Damage to physical assets. Losses arising from loss or damage to physical assets caused by natural disasters or other events.

Business disruption and system failures. Losses arising from disruption of business or system failures.

Execution, delivery and process management. Losses from failed transaction processing or process management; from relations with trade counterparties and suppliers/vendors.

in EUR million Banking activities	Relevant indicator Year-3	 Year-2	 Last year	Own funds requirements	Risk weighted exposure amount
Banking activities subject to basic indicator approach (BIA)	2,078.8	2,382.7	2,276.9	336.9	4,211.4
Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
Subject to TSA:					
Subject to ASA:					
Banking activities subject to advanced measurement approaches AMA				849.6	10,619.9

Table 80: Operational risk own funds requirements and risk-weighted exposure amounts (Art. 446 and 454 CRR, EU OR1 (EU) 2021/637)

Environmental, social and governance (ESG) risks

Environmental Risk

DISCLOSURE REQUIREMENTS Art. 435 and 449a CRR

Erste Group is a leading bank for retail and corporate customers in the CEE region, including Austria. In all of its core markets, Erste Group pursues a well-balanced business model that is designed to offer each customer the best banking services. Today, Erste Group serves approx. 15.9 million customers in Austria (market share up to 25%), the Czech Republic (20%), Slovakia (25%), Romania (13.9%), Hungary (7%), Croatia (17%) and Serbia (7%).

Erste Group's main business segment is the retail business, which accounts for 46% of total operating income and covers the entire spectrum from lending, deposit and investment products to current accounts and credit cards. In addition to Erste Group's traditional strength in serving retail customers, its core activities also include advisory services and support for corporate and SME clients. This accounts for 45% of total operating income in the areas of financing, investment including access to international capital markets, public sector funding and interbank market transactions. Through public sector finance, Erste Group provides funding for major infrastructure projects in the CEE region.

Innovation and digitalisation are key pillars of Erste Group's business strategy, which seeks to offer customers access to personalised products of Erste Group and third parties via application programming interfaces (APIs) in the secure IT environment of the financial platform. The digital platform George was launched in Austria in 2015 and supports access to digitally available products and services of Erste Group at any time and from any place. At this point, George has also been rolled out in the Czech Republic, Slovakia, Romania, Croatia and Hungary.

Our **ESG strategy** is based on profound understanding of socio-environmental challenges and their impacts to the economic and political development of the region where we operate. Our ESG strategy is an essential part of the overall business strategy, contributing to the long-term financial resilience, and growth-based business model of the Group. Climate change is considered the most significant long-term challenge across all the core markets but with different starting points to address. The European climate law, EU Green Deal and 'Fit for 55' outline upcoming changes in EU strategy and legislation. The CEE countries will have to align to these European objectives and absorb the impact on their economies and reshape investment and consumption expectations. Erste Group's understanding of the climate related challenges, legislative and economic impact are documented in the internal Climate Change Houseview. Other social and environmental issues were analysed with the support of the Austrian Worldwide Fund for Nature including the loss of biodiversity and environmental degradation like water, soil and air pollution. Furthermore, housing status, health care, financial inclusion and education were assessed. The necessity and benefits of green transition ensure a strong focus of Erste Group's long-term ESG strategy, objectives and framework on this topic. Furthermore, the relevant harmful socio-environmental activities are translated into exclusion criteria for our business activities laid down within the Group Responsible Finance Policy.

ESG risks (environmental risks) are part of the yearly **strategic planning** of Erste Group which is approved by the Management Board (also called Holding Board), as well as by the local management boards. Moreover, starting with the **financial planning** exercise in 2022, group-wide planning has been extended with the budgets and KPIs related to "green investments" as well as GHG emissions per industry with an outlook covering a period of 5 years rolling window. The first reflects our commitment to promote the financing of climate aligned initiatives and projects by our entities across the region, as well as to boost the share of green businesses in our portfolio. For now, the main focus lies on industries such as real estate, energy and transportation. The latter reflect our ambition to decarbonise our portfolio in the long run.
From a climate-related risk perspective, both concepts aim to increase the resilience of our portfolio, either explicitly by investing in more green business or implicitly by supporting our clients on their path towards CO2 neutrality.

ESG brings prosperity.
We are convinced that the economic success of the CEE region can only be sustainable if the region maintains strong social cohesion and encourages investments in the green transition. These two dimensions of the region's long-term prosperity fit perfectly with Erste Group's importance and historical role.
We strive to be a role model and **a leader in the green transition**, mobilizing funds to fight climate change, invest in maintaining clean water and transition to a circular economy. We believe that the green transition brings an opportunity for the people of the CEE region. We also believe in an inclusive and technology-driven transition, and that's why we help our customers to secure necessary investments on their transitioning from a legacy to a future-oriented low-carbon and resource-efficient production model.
Since its inception, Erste Group has always had an active role in building **inclusive societies** in the CEE region. The Bank's efforts in the areas of financial inclusion, social banking, financial education, affordable housing and gender equality are as relevant today as they

were 200 years ago. The social cohesion of our societies creates a strong and reliable basis for a well-functioning socio-economic environment that brings prosperity to all.

Our **ESG strategy** aims to grow the CEE region to a healthier and stronger society where we focus our activities on following main objectives:

Green Transition - leading the green transition as a role model and financier by:
Building our leadership in green finance within the CEE and region, and such ensuring growth opportunities for the future.
Setting up Net Zero transition of our portfolio, which is our contribution to the climate action, and equally ensuring a long-term resilience of our clients and our investments.
Turning our operations into climate neutral status by 2023 and showing a role model in implementation of climate action.

Social Inclusion - strengthening social cohesion through inclusivity by:
Fostering financial inclusion through our social banking activities and thus strengthening social cohesion and civil society.
Bringing financial health and financial literacy to our clients and the young generation.
Investing into affordable housing and contributing to the welfare of lower middle class, especially career starters, young families and civil servants.
Promoting gender diversity as an important element of healthy corporate culture.

Measurable **ESG targets**, aligned with our objectives, are set by the Group Sustainability Board and approved by the Supervisory Board. These targets are translated into individual management KPIs forming a significant part of the variable remuneration system of Management Board, as well as of the members of the local management boards. Details are published in the Non-financial Report 2022, Governance Chapter.
We take this responsibility very seriously. In order to survive in the long term and create value for customers, investors, employees and society as a whole. It is our responsibility in the management of the bank to positively resolve conflicting goals between profitability and the environmental and social impact of our actions and to seize the enormous opportunities in these times of change and transformation.

Our ESG strategy was approved by the Management Board (October 2021), subsequently presented to various platforms of our stakeholders and ultimately based on the review and recommendation of the Strategy and Sustainability Committee of the Supervisory Board (November 2022) approved by the Supervisory Board (April 2023). Related targets of Green Financing, detailed Net Zero transition strategy, social and governance targets were similarly discussed on the Strategy and Sustainability Committee (February 2023) and approved by the Supervisory Board (April 2023).

Our ESG objectives, targets and their integration to the renumeration systems are published in the Non-financial Report as part of Annual Report 2022.

Following the definition of portfolio decarbonisation targets for priority sectors, the risk appetite of the Group is enhanced in 2023 through introduction of ESG ICAAP quantitative indicators for four sectors: housing mortgages, commercial real estate, energy production and heat & steam production, which play a critical role in achieving a net zero future. The aim of the indicators is, first of all, to support our commitment to climate action and, secondly, to enable pro-active steering of portfolio development along the defined decarbonisation path.

As regards to sustainable finance, Erste Group is committed to considering social and environmental aspects in finance, banking and client advisory services in its retail and corporate business. The publicly available Group Sustainable Finance Framework (SFF) has been concepted as an umbrella framework that will allow Erste Group to issue sustainable finance instruments to finance new and/or refinance existing loans to its clients and projects with environmental and/or social benefits. The SFF defines rules for bond issuers in accordance with the ICMA Green Bond, Social Bond and Sustainability Bond Guidelines. In connection to this, the Sustainable Finance Guideline shall provide the internal operational rules of eligibility criteria and guides the due diligence process of identifying and assessing green, social and sustainable financing for the issuance of sustainable finance instruments. **The internal eligibility criteria follow those of the EU Taxonomy Delegated Act from April 2021.**

In 2022 Erste Group's new business in commercial financing, in core markets, reached EUR 1.3mln in energy efficient buildings, EUR 427mln in renewable energy, EUR 259mln in transportation and EUR 113,3mln in other sectors. In Austria EUR 4.283mln new green retail mortgages were financed.

Erste Group aims to reach a share of 25% green investments in its corporate portfolio by 2026 and 15% in the retail portfolio (retail mortgages) by 2027.

Erste Group Bank AG acted as bookrunner for a large number of green bonds and arranged the issuance of green/social/sustainable bonds for companies, sovereigns and supranational organizations with a total volume of approximately EUR 8.2bln.

Erste Group's investment company, Erste Asset Management (EAM), is signatory of PRI (Principles for Responsible Investment) since 2009. EAM is one of the leading providers of sustainable investment funds in Austria and CEE region. In total, EAM managed approximately EUR 69.4bln as of year-end 2022. Of this, the internally managed assets of the investment funds that promote the environmental and/or social characteristics in the categories ESG Impact, ESG Responsible and ESG Integration, including real estate assets promoting environmental and/or social characteristics, amounted to EUR 15.03bln, divided into a total of 90 investment funds, which are divided into mutual funds, special funds and individual mandates.
The Sustainable Finance Committee coordinates the development of basic ESG methodologies and alignment of eligibility criteria of the assets with the EU taxonomy.

With respect to the measures taken to mitigate the risks associated with ESG factors, the Group Responsible Financing Policy defines harmful socio-environmental activities that are excluded from financing and banking services. The main focus of the policy is on climate protection through the alignment of Erste Group’s energy financing in line with the Paris Agreement, global warming limitation, the prevention of extensive environmental degradation and measures to preserve biodiversity through restraining from artic oil and gas financing and unconventional mining practices but also with very selective participation in hydropower projects. In addition, the directive aims to limit the impact of socially harmful activities, such as the weapons industry.
Erste Group took a significant step with the requirement to end coal financing by 2030. However, energy supply must also be secured in the current situation in the CEE region. In line with our social commitment, we decided to prolong the checkpoint of coal phase-out plans of our clients until the end of 2025. We believe that this timeframe is sufficient to recalibrate the plans of coal to gas conversions to a renewable source transition. In view of the current energy crisis, nuclear energy is recognized as a necessary transition technology. In line with our commitment to the region, we support projects that provide the highest level of safety, as well as solutions for the long-term management of nuclear waste in accordance with the EU taxonomy.
The Policy is available on the website:
Sustainability/ESG - the principles of Erste Group | Erste Group Bank AG

The initial engagement with the client and preliminary ESG discussions are done on the business side. Within credit risk portfolio, engagement with counterparties on the topic of environmental factors involves the Group’s ESG Assessment Questionnaire, which provides a comprehensive assessment for large corporate, commercial real estate and commercial residential real estate (Wohnbau) transactions within the credit application and approval process. The questionnaire enables the Group to identify clients which are prone to environmental, climate, social and governance risks, and facilitates data collection on the environmental footprint of clients. It is updated at least annually. In cases with potentially high ESG risk exposure, a deep-dive assessment is triggered to understand the nature and severity of the risk to which the company is exposed. For further information, please see below the section related to risk management processes used to identify, measure and monitor activities and exposures sensitive to environmental risk.

For commercial real estate, an integral component of the questionnaire assesses the environmental footprint of a building from a technical perspective, where several data points are taken from the Technical Object Rating[3].
In Erste Group, all ESG assessments are digital and collected in a centralized solution (hub), making them accessible and available across the entire group, which offers the possibility to use the information for multiple purposes. Engagement with the client further includes active discussion with regards to environmental risks and opportunities relevant to the business model as well as the data the client is able to provide.

For SME clients and smaller real estate transactions, an ESG Factor Heatmap is used as a risk assessment and management instrument to identify certain segments that may be exposed to ESG risk factors. The ESG Factor Heatmap combines the relevance of climate, environmental, social and governance risk factors, utilising a granular segmentation of industry sectors of the portfolio, and allows for a differentiated approach as the relevance of individual risk drivers may differ, depending on the nature of the respective (sub)sectors a company operates in. For further information regarding the ESG Factor Heatmap, please see below the section related to risk management processes used to identify, measure and monitor activities and exposures sensitive to environmental risk.

[3] Technical Object Rating (TOR) is a brief assessment of the technical status of a commercial building.

The Erste Group’s **ESG governance** is driven by the fact that environmental risk is considered as a transversal risk influencing the “classical” risk types such as credit, market and operational risk, thus the existing well-established committees and board structure are used to deal with environmental risks.
Furthermore, additional sustainability committees have been established. The **ESG specific committees** are detailed in the chapter dedicated to Governance risk as well as in the Non-financial Report as of year-end 2022.

Consequently, environmental risks are treated within the existing organisational risk management structure where each risk owner is responsible for influencing environmental risk (independently whether short/medium/long term) on his/her area, thus:

- **Enterprise-wide Risk Management** ensures the integration of ESG into the Risk Appetite Statement, Risk Strategy, Risk Materiality Assessment, and Stress Testing framework; it also performs carbon footprint calculation, interim target setting for Net Zero transition of our portfolio, and inclusion of ESG in risk reporting.
- **Credit Risk Portfolio** ensures the integration of ESG into industry strategies and participates in interim target setting for Net Zero portfolio transition; importantly, it ensures that a proper due diligence is implemented into underwriting and collateral management processes.
- **Operational and Non-Financial Risk** governs ESG integration into the existing NFR risk management process and ensures the adequate impact on the operational risk capital requirements.
- **Market & Liquidity Risk Management** participates on the ESG risk assessment in the respective area.

The allocation of tasks and responsibilities in the risk management framework are detailed further.
Environment-related risks form a part of Erste Group's lending principles and are outlined in the Group's lending policies. Within the credit risk committee, risk associated with environmental, social and governance factors are considered as part of the credit application, reflecting the ESG Assessment Questionnaire result. It is a requirement to attach the results of the questionnaire to the credit application, where applicable (as detailed later in this chapter), and it forms a part of the credit application and approval process, according to the established credit approval authorities of the Group.

The Group's policies, together with the client and transaction environmental assessment (the latter applicable for certain real estate projects, as detailed later in this chapter), enable risk managers and other decision makers within the credit committee to make lending decisions in line with the Group's risk strategy.
The bylaws of the relevant credit committees define the committee composition and representation. They also define voting rules as well as veto rights to relevant members with regards to credit application and approval process of clients / client groups with a critical ESG assessment.
The reputational risk impact arising from ESG might also be decided by Regional Conduct Committee (ROCC), depending on risk level, e.g., reputational risk in connection with credit-decisions is delegated by ROCC to Credit Committee.

ESG risks as part of the **internal reporting framework** are currently covered by a set of reports as elaborated below.

The ESG Risk Materiality Assessment (RMA) results are reported as part of the RMA board presentation, at least once a year or whenever external circumstances require.

The Group Risk Report, as one of the most comprehensive risk reports, includes a chapter dedicated to ESG topics in the risk area since year-end 2021. Initial focus was on quarterly developments of portfolio per ESG Factor Heatmap, overview of financed emissions, as well as other key ESG developments in the risk area, such as: stress test, risk materiality assessment, etc. During 2022, the chapter has been further enhanced to reflect the developments in the field, including details related to physical risk associated with the Erste Group portfolio, as well as decarbonisation targets set for the first four portfolio segments covered by the pilot phase. In the upcoming period, an additional level of detail will be added to existing topics, if applicable, as well as new topics will be included according to their implementation and availability.
The current frequency of the Group Risk Report is quarterly and is presented to the Management Board as well as the Supervisory Board.

The achievement rate of Erste Group annual as well as long-term targets with regards to the generation of Green Investments is monitored monthly and presented to the respective target owners.
Target owners are primarily group and local Business Board Members responsible for Retail and Corporate as well as corresponding Board-1 managers (e.g., Head of Commercial Real Estate, Head of Large Corporate, etc.)
The report illustrates both the absolute size of the Green Investments portfolio as well as its relative share in the total lending portfolio.

As indicated above, data collected on counterparties via the ESG Assessment Questionnaire is stored digitally in a central hub, allowing decision makers to consume the data. The assessment is done with every annual review of a counterparty and/or as a result of a new

lending request, renegotiated transactions or transactions requiring contractual changes, and its results are reported to the relevant approval authorities.
Within collateral management, a quarterly Energy Performance Certificate (EPC) report is produced, while the data itself is monitored monthly and reported in the ESG Core Team meetings.

As regards the remuneration policy and whether environmental and social risks are included, the performance criteria and their impact on the variable remuneration (15%) of the management board of Erste Group Bank AG are determined by the Supervisory Board at the beginning of the financial year. The individual strategic targets include ESG targets and are defined in detail in the scorecard of the respective board member, and the achievement of these is evaluated at the end of the performance period. ESG related targets are in line with the focus areas Holistic ESG performance, Green Transition – Green financing & Net Zero transition and Equal Opportunities. ESG targets are cascaded in the organization (Divisions and hierarchical level as appropriate).

Details of ESG KPIs for the Board Members:

- Overall ESG performance measured as external assessment by ESG rating (MSCI at least “A”, ISS ESG at least “C-”, and Sustainalytics “first quartile”) – shared by all board members
- Portfolio Net Zero transition target setting for key industries – shared by risk, finance and business board members
- Financing the “green” transition with a yearly target - assigned to Corporates & Markets Business Head
- Carbon neutral of operations – assigned to Chief Financial Officer
- Further strengthening of Climate and Environmental risk framework – assigned to Chief Risk Officer
- ESG data management and system development – assigned to Chief Operating Officer
- ESG culture, communication, and diversity targets – assigned to Chief Executive Officer

Non-financial performance targets are also passed on to local board members (representing 7.5-10% of variable compensation) and to the Board-1 managers where the focus is on green transition and diversity.
More details will be published in the Non-financial Report 2022, Governance chapter.

From the **risk management** perspective, the integration of short-, medium- and long-term effects of environmental factors and risks in the risk tolerance framework is assured as it is further detailed.
The severity of the impact is assessed on a yearly basis during the bank´s risk materiality assessment (RMA). Time horizon is short-to medium-term (3-5Y), whereas outlook long-term (2030). Materiality is medium for credit risk, whereas market, liquidity, operational and strategic risk are categorized as low. The main driver of medium materiality for credit risk is transition risk even in the 3Y horizon, reflecting possible material impact of disorderly transition on Erste Group’s capital/profitability. The potential impact of physical risks (flood and drought/extreme heat) on the other hand is deemed immaterial (low) both for loan portfolio (credit risk) and own real estate assets and service providers (operational risk). Various internal projects implemented in the last 2 years effectively reduced Erste Group’s strategic exposure to environmental risk.

When it comes to how ESG risks are defined in Erste Group, they are defined as the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of environmental, social or governance (ESG) factors on the institution’s counterparties or invested assets.

Environmental risk means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of environmental factors on the institution’s counterparties or invested assets, including factors related to the transition towards the following environmental objectives:
(a) climate change mitigation;
(b) climate change adaptation;
(c) the sustainable use and protection of water and marine resources;
(d) the transition to a circular economy;
(e) pollution prevention and control;
(f) the protection and restoration of biodiversity and ecosystems.

Environmental risk includes both physical risk or damages (like impact of extreme weather events) and transition risk, i.e. creating additional costs and capital expenditure need for transition of business activities and sectors to an environmentally sustainable economy (by legislation, technology standards, or market conformity and customer preferences), or in some cases damages through liabilities (for negative impacts by products, policies or pollution events). Physical risks can demonstrate through events of acute physical risks (most prominently weather-related events) or chronic physical risks (arise from longer-term changes in the climate, such as reduced water availability, biodiversity loss and changes in land and soil productivity).

Social risk means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of social factors on its counterparties or invested assets. They mostly materialize due to poor standards of respecting elementary rights, inclusiveness, or ineffective labour relations and unfair, untransparent or malleus customer practices. Social risks materialize mostly through damages in reputation, ineffective or even disrupting operations or loss of critical labour force, and finally through financial claims and liabilities due to improper practices.

Governance risk means the risk of losses arising from any negative financial impact on the institution stemming from the current or prospective impacts of governance factors on the institution's counterparties or invested assets. They are prominently related to poor or untransparent company governance measures, missing or week code of conduct including lack of substantiated policies on anti-money laundering, briberies and corruption, or tax citizenship. Governance risk can arise also from governance events from poor management of critical supply chain. Materializing governance risks can significantly damage faith and trust of customers and investors, and potentially leading to loss of revenue, higher funding costs or penalties and such affecting its ability to conduct business over the longer-term.

Erste Group reports annually on sustainability strategy, goals, achievements, opportunities and risks in accordance with the GRI Standards 2021 and follow the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD), and follows the EC Guideline of Climate and Environmental risks.
Erste Group has decided to include the (consolidated) Non-financial Report in its annual report, thus fulfilling its obligations under sections 243b and 267a of the Austrian Commercial Code (UGB).

The processes used to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to environmental risks by risk type are detailed below.

Within the credit risk area, a process for identifying and monitoring environmental risks is initiated as a result of a new lending request, renegotiated transactions or transactions requiring contractual changes, as well as within the annual review of a counterparty. Firstly, the Group's ESG Factor Heatmap takes climate, environmental, social and governance risk factors into account, in order to identify and assess ESG risks and opportunities. The heatmap covers all sectors to which Erste Group has exposure to, and assigns industries into low, medium, high and very high ESG classifications. It is embedded in the internal processes and used as an integral part of the of lending standards, the credit process, for active portfolio management and the setting of industry strategies according to the relevant industry specific ESG factors, the latter which drive the steering of the portfolio. Potential environmental risk factors, such as climate change, environmental degradation and animal welfare, are taken into account within the regional industry risk assessment in the process of reviewing the ESG Factor Heatmap.

The ESG Factor Heatmap is also used for the ESG assessment of SMEs, and SMEs counterparties that belong to industries, which are assessed as high or very high in risk, shall also fill in the ESG Assessment Questionnaire.

Secondly, for all large corporates, real estate projects which have an exposure > EUR 20mln, or for SMEs which were assessed as high or very high risk in the ESG Factor Heatmap as detailed above, an individual ESG Assessment Questionnaire shall be performed. A wide range of environmental risks are covered in the questionnaire, including animal welfare, waste and pollution, water use, impact on endangered zones and other environmental impacts, which are identified and reflected in the final score.
Certain industries identified by Erste Group as having higher sensitivity/vulnerability to environmental risks require an in-depth assessment to be answered. Similarly, counterparties having significant exposure to physical risk (e.g. floods, heavy storms, droughts, etc.) shall also answer an in-depth assessment. The Group's identified key environmental risks assessed aim to determine the possible impact on the counterparty's financial performance (e.g. environmental risks driving lower profitability or increased legal costs).

In the corporate rating model, a soft fact question covering the counterparty's environmental impact is also assessed to determine if a higher probability of default may be triggered by ESG related risks. This risk is assessed on a short term (12 months) time horizon.

Another dimension Erste Group focuses on is the incorporation of ESG factors in collateral management and real estate valuations. The incorporation of environmental factors to the collateral management, in particular valuations, looks at the lifetime of the asset and is therefore applicable for the medium- to long-term time-horizon.
In internal valuations, energy efficiency of buildings and physical risks play an important role. The energy efficiency assessment is based on Energy Performance Certificates (EPC) that are requested from the client or, if available, sourced from public registers in certain countries. In the course of 2022, Erste Group has implemented several actions in order to increase the coverage of EPC data, such as automated data capture, extraction, and processing for certificates and establishing data KPIs to increase data availability. There is a regular (quarterly) monitoring where the coverage of the EPC availability as well as its data quality is assessed and communicated to

senior management. Additional actions and enhancements of established processes will continue to be implemented in order to further increase EPC data availability throughout the Group (including sharing of best practices such as Optical Character Recognition solutions through Group entities). Nevertheless, without having a harmonized central database for EPCs throughout a country, which is accessible for banks, the EPC coverage in Erste Group, especially for existing collateral stock, entities will never improve to a level which is reachable for countries where such central databases are established.
Up-to-date information on physical risks is gathered and considered in the assessment of the evaluated asset. Furthermore, other negative contributions of the real estate asset to climate change (i.e., DNSH - Do No Significant Harm) are also assessed in the real estate valuations. These may result in a higher or lower real estate valuation for the underlying asset.
In large commercial real estate transactions, environmental aspects are part of the Technical Object Rating (TOR) and cover environmental risks such as waste, pollution, water use, land use, to name a few.

As the influence of ESG risks is expected to increase over time and in line with 2022 thematic review of climate-related and environmental (CE) risks, Erste Group is currently further improving and enhancing the method and process of assessment of the materiality to monitor the impact of ESG risks in liquidity risk framework. Furthermore, ESG requirements are planned to be incorporated into the liquidity risk framework.

The materiality of ESG Risk in the market risk context is assessed in the yearly Risk Materiality Assessment. The vulnerability and readiness of sovereigns are mapped to a matrix and the percentage of exposure which is in the most vulnerable and least ready quantile of the matrix is measured against the overall exposure towards sovereigns. The exposure of the corporate security portfolio is mapped to the ESG Factor Heatmap and the exposure of the high and very high ESG risk is measured against the overall corporate exposure. Financial Institutions are currently not in scope of the Risk Materiality Assessment.

As our comprehensive analysis of the climate-related challenges, legislative and economic impacts of climate change in our region (Climate Change House View) has shown, financing for or investing in companies exposed to physical and transitory climate risks poses a significant risk to our core business in the medium to long term. In addition, there is a risk of consequences, particularly in customer investment and advisory services, if products are advertised as "sustainable" that cannot withstand close scrutiny by the regulator ("greenwashing"). Penalties and a loss of reputation would be the consequences.
At the same time, negative impacts on the environment and society are possible if companies are financed or invested in that, for example, operate in an environmentally harmful manner and disregard fundamental human rights or the principles of good corporate governance. The establishment of sustainability criteria, on the other hand, has the effect that companies with negative sustainability impacts are avoided and that financial resources flow into companies and activities that contribute to the transformation.
To mitigate the transition risk, Erste Group has set itself the goal of reducing the emissions it finances along the net-zero path, on the one hand, and significantly increasing the share of short- and medium-term sustainable financing and investments, on the other side.

Thus, the tools implemented and used in Erste Group to identify and manage ESG risks, including environmental risk, are listed herein.

Climate stress testing is being integrated into the internal stress testing framework of Erste Group in accordance with developing best-practice. Erste Group participated in the ECB’s pioneering Climate Stress Test in 2022. This exercise assessed short-term stresses and medium/long-term scenarios in respect to climate related physical and transition risks. The mid-term stress scenario materialized primarily through transition risk over a three-year horizon while the long-term, covering a 30-year time horizon, was assessed through three transition scenarios. The results of the regulatory climate stress test are used to further develop the internal stress testing framework as well as to help assess which parts of the portfolio are sensitive to climate risk and to better understand the long-term impacts of climate risk on growth potential and value generation.

Risk materiality assessment (RMA) is an annual process with the purpose of systematic identification of new and assessment of all risks for the Erste Group. Climate change risks, both transitional and physical, and other environmental risks, such as environmental degradation and animal welfare, are integrated into the Risk Materiality Assessment of Erste Group. They are identified and classified as transversal risks in our risk inventory and consequently their materiality is assessed within existing main risk types (credit, market, liquidity, operational and strategic risk) by means of qualitative and quantitative indicators. Such indicators are, for instance for the credit risk, related to greenhouse gas emissions of loan portfolios, real estate energy efficiency, exposure to increased flood and heightened heat/drought risks, or exposures in sectors with potential to environmental degradation. The indicators take into account quantitative impact on our capital adequacy and forward-looking assessment relying on the scenario analysis (for materiality: short-to medium-term (3-5Y); for outlook: long-term (2030)). RMA process is leveraging to the large extent on other internal processes and tools (e.g. carbon footprint calculation, ESG Factor Heatmap, climate change house view, stress testing framework, green investment target monitoring), while some processes and tools are specifically in place for risk identification within RMA process (e.g. for the damage on own assets or supply chain from floods and storms – operational risk; the University of Notre Dame Global Adaptation Index used for sovereign bond portfolio - market risk, etc.)

Decarbonisation strategy, which will effectively mitigate Erste Group exposure to transition risks, is based on a starting point of financed emissions which are determined in the Carbon Footprint Calculation ("CFC"). Portfolio decarbonisation targets aim at a 40-50% reduction by the end of the decade in the portfolios retail mortgages, commercial real estate, electricity production and steam & heat production. In line with the Net Zero Banking Alliance, we strive to achieve net zero by 2050.

The Climate Change House View, which serves as basis and starting point for integrating climate change risk in the business model and the strategic planning process of Erste Group. For transition risk, time horizon under observation is predominantly the period until 2030 and the basis for the analysis are EU-wide and national targets for reductions of GHG emissions until 2030, notably the previous -40% and the new -55% EU-targets (both relative to total GHG emissions of 1990).

Consequently, Erste Group also implemented greenhouse gas calculation (internally referred to as Carbon Footprint Calculation - "CFC"). Thus, it measures financed portfolio's emissions according to PCAF (Partnership for Carbon Accounting Financials) methodology. Scope 1,2 and 3 are calculated and disclosed in line with PCAF guidance on scope 3 inclusion for selected industry sectors (i.e., for energy and mining, transportation, construction, buildings, materials, and industrial activities scope 3 emissions are included as of 31.12.2022).
From the methodology published by PCAF, Erste Group has implemented CFC for business module, project finance, residential and commercial real estate and partly for bonds and securities (only for corporate bonds). We are currently analysing the new sovereign methodology that was recently published in December 2022.
As already mentioned, CFC creates the starting point for the other portfolio-related risk assessment activities (RMA) and portfolio decarbonisation initiatives.

Also, please see above the section related to risk management processes used to identify, measure and monitor activities and exposures sensitive to environmental risks for an explanation on the role of the Erste Group's ESG Factor Heatmap, for an explanation on the role of the ESG Assessment Questionnaire, the integration of environmental impact into the Erste Group's corporate rating model, the integration of environmental risk factors and considerations into the Erste Group's collateral management processes and valuation.

The severity of the impact of environmental risk in liquidity risk as well as in market risk is assessed on a yearly basis during the bank's regular risk materiality assessment.
An indicator to measure the impact of ESG-risks on the liquidity risk has been developed during 2021. The objective is to assess what portion of inflows up to 1 year, and what amount of Counter Balancing Capacity (CBC) has ESG components.
Assessment of materiality of ESG risk in market risk is based on the Erste Group securities report and enriched by the internal ESG Factor Heatmap data and the readiness and vulnerability information for sovereigns.

Based on the latest assessment, the impact of ESG risk factors on the liquidity risk is considered as low/immaterial, therefore no supporting risk measures were defined in the liquidity risk appetite at this moment. As the influence of ESG risks is expected to increase over time and in line with 2022 Thematic review of climate-related and environmental (CE) risks, Erste Group is currently further improving and enhancing the method of assessment of the materiality to monitor the impact of ESG risks. Furthermore, ESG requirements are planned to be incorporated into the liquidity risk framework.

Erste Group is aware that it is necessary to provide the estimated impact of environmental risk on the institution's capital adequacy. The potential impact on our capital adequacy was assessed by taking into account ESG supervisory stress test results through risk materiality assessment showing limited impact on our risk profile.

In this light, we find that there is no need to put capital aside immediately considering:
- ongoing implementation of proactive risk management framework (e.g., decarbonisation strategy and other planned activities) to cope with (mainly) transitional risk, as only material risk, effectively reducing Erste Group exposure to climate-related and environmental (CE) risks;
- significant progress achieved in ESG risk steering with broadly adequate and effective practices in place for risk materiality assessment, risk appetite, overall risk management framework, as well as credit and operational risk;
- ESG (or more specifically climate-related risk) is new / emerging risk, expected to unfold its loss potential slowly over the next decades, where the path of development is quite well understood (as main difference to other risk types with unpredicted, sudden outbreaks) and therefore, risk measurement systems of the Erste Group (e.g. PDs) as well as client's behaviour will step-by-step adapt to the changes;
- data availability and quality are gradually increasing, enabling more reliable estimates.

As regards to **data availability, quality and accuracy**, as well as efforts to improve these aspects, since 2021 the ESG relevant data have been included in the data collection processes from the Erste Group subsidiaries and have been distributed to the central solutions for indicators calculation and reporting purposes.
As permanent gaps raised by subsidiaries to be listed are those related to:

- EPC CO2 emissions not legally required to be collected in the Czech Republic, and
- NUTS 3 information not applicable for Bosnia and Serbia, as non-EU countries

In addition, there are few temporary gaps in the data delivery raised by subsidiaries for data concerning: EPC information, sustainability index (used to identify the green assets and investments, including all the relevant information) and NFRD applicability which will be fixed in the course of 2023, as well as other temporary gaps concerning EPC and sustainability index information will be closed in the first quarter of 2024.
When it comes to data quality of information collected for ESG, several business and technical data quality checks have been implemented that monitor ESG relevant fields. Additional business quality checks will be implemented by the end of 2023.
All identified data quality deficiencies are addressed to the Erste Group subsidiaries and monitored on a regular basis via standardized processes and tools; so far slight improvements were observed in case of information related to completeness of "year of construction" data for real estate collateral assets and EPC date for immovable property real estate collateral assets. Additional focus is given to the data quality related to ESG information as part of the data management board KPIs.

Consequently, the link between environmental risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework are assured as detailed below.

Erste Group identifies sectors that are vulnerable to environmental risks via the Group's ESG Factor Heatmap as mentioned in previous sections.

Via the ESG Assessment Questionnaire previously detailed, the Group is able to assess how certain ESG factors may have a positive or negative impact on the financial performance or solvency of clients. In this manner, the Group is able to ensure that the potential impact of environmental risks on the loan portfolio (and thus credit risk) are considered.

Moreover, Erste Group recognizes additional challenges caused by the ESG risks.
Particularly, environmental risks are currently reflected only indirectly in LGD models via collateral value and in the Group (Large) Corporate and Specialized Lending models via a soft fact assessment, as detailed above. As a consequence, a project to holistically define and collect relevant environmental risk drivers for all rating systems has been started in 2022 to ensure the explicit consideration also of climate risk drivers in future model development initiatives.
Before incorporation into the credit risk models, the bank is considering how these risks can be incorporated into expected credit loss (ECL) measurement. In the Risk Materiality Assessment, climate and environment-related risks are overall assessed as medium. This assessment is driven by the "Transition Risk" analysis as a small percentage of the portfolio still has high GHG emissions and would therefore be exposed to increased risk in the event of a disorderly transition scenario. Disorderly transition scenario was considered in the forward-looking downside scenario. Erste Group further analysis if ESG overlays are necessary in the future. Consideration through FLI scenario was deemed sufficient for ECL measurement as of 31 December 2022.

As regards to liquidity risk the portion of inflows up to 1 year, and the amount of Counter Balancing Capacity having ESG components is assessed. The respective clients or counterparties are mapped via industry sector to the ESG Factor Heatmap allowing to assess the impact of ESG risk in liquidity risk.
A similar approach is followed for market risk at NACE level, while for sovereigns mapping to vulnerability and readiness score is based on the Sovereign level.

Furthermore, ESG risks are implicitly covered in the existing Operational and Non-Financial Risk (NFR) Management framework and all methods covered therein. Also, they are explicitly addressed in the yearly Operational Risk Scenario Analysis and several Stress Testing exercises. On the daily basis the NFR decision framework can be seen as a case-by-case scenario analysis also covering ESG risks in all impact dimensions (financial, legal and reputational). Data collection and reporting requirements for ESG events follows the same standards as other Operational Risk events. Given the above, ESG risks are implicitly (via loss data) and explicitly (via scenario analysis) covered in the RWA calculation for operational risk.

Quantitative disclosure on environmental risk

The template bellow represents industry split of the Erste Group portfolio per industry segmentation, providing more insight into distribution of exposures toward non-financial corporations between sectors that highly contribute to climate risk and other sectors.

	Gross carrying amount (Mln EUR)			Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)							
		Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity (years)
Exposures towards sectors that highly contribute to climate change*	85,338.9	23,843.4	2,076.8	-1,905.5	-728.0	-995.7	44,055.7	15,052.6	12,641.9	13,588.6	7.0
A - Agriculture, forestry and fishing	1,835.1	233.4	70.5	-63.7	-15.0	-37.4	988.2	514.5	249.9	82.5	5.7
B - Mining and quarrying	438.1	213.6	6.6	-5.1	-3.0	-1.7	318.4	46.5	26.5	46.7	3.9
B.05 - Mining of coal and lignite	3.0	2.8	0.0	-0.2	-0.2	0.0	0.4	2.7	0.0	0.0	5.6
B.06 - Extraction of crude petroleum and natural gas	263.1	131.8	0.0	-1.0	-1.0	0.0	233.7	0.0	0.0	29.3	3.3
B.07 - Mining of metal ores	11.1	10.7	0.0	-0.2	-0.2	0.0	10.7	0.0	0.0	0.4	3.5
B.08 - Other mining and quarrying	133.1	47.6	3.8	-3.4	-1.6	-1.6	66.9	29.5	26.5	10.2	5.9
B.09 - Mining support service activities	27.9	20.7	2.8	-0.2	-0.1	-0.1	6.8	14.3	0.0	6.8	3.8
C - Manufacturing	18,652.4	5,387.7	745.0	-518.9	-141.9	-343.1	11,108.2	3,829.5	790.6	2,924.0	3.8
C.10 - Manufacture of food products	2,285.3	282.6	48.6	-43.6	-11.2	-23.3	1,302.2	573.4	201.7	208.0	4.5
C.11 - Manufacture of beverages	506.7	57.1	5.0	-6.5	-1.9	-2.2	218.0	211.3	29.0	48.4	4.7
C.12 - Manufacture of tobacco products	11.7	0.0	0.0	-0.1	0.0	0.0	2.4	0.0	0.0	9.2	0.6
C.13 - Manufacture of textiles	431.4	96.4	22.4	-16.1	-2.9	-12.0	126.7	191.6	6.3	106.8	4.0
C.14 - Manufacture of wearing apparel	84.7	18.0	14.0	-6.3	-1.5	-4.6	60.2	8.7	11.9	3.9	4.4
C.15 - Manufacture of leather and related products	58.2	26.4	17.0	-7.9	-0.5	-7.4	48.2	2.2	0.7	7.2	1.7
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1,136.3	95.3	26.1	-23.4	-4.6	-17.1	863.6	168.2	59.0	45.5	4.0
C.17 - Manufacture of pulp, paper and paperboard	831.9	265.6	1.2	-21.3	-18.7	-0.9	447.0	245.2	14.5	125.2	4.0
C.18 - Printing and service activities related to printing	226.2	57.6	3.4	-4.2	-2.0	-1.7	120.2	65.0	11.8	29.2	4.9
C.19 - Manufacture of coke oven products	190.5	112.5	0.3	-1.7	-0.9	-0.3	116.1	35.0	2.8	36.5	4.0
C.20 - Production of chemicals	797.9	649.8	8.0	-12.3	-7.6	-4.0	538.6	146.0	21.6	91.7	3.3
C.21 - Manufacture of pharmaceutical preparations	309.3	41.9	54.8	-17.1	-0.7	-16.0	89.7	146.5	32.8	40.4	6.1
C.22 - Manufacture of rubber products	921.5	352.2	37.8	-20.9	-7.4	-12.4	539.2	219.5	33.7	129.2	3.8
C.23 - Manufacture of other non-metallic mineral products	1,167.1	429.7	17.4	-15.2	-8.4	-5.2	653.1	322.8	52.5	138.7	4.5
C.24 - Manufacture of basic metals	1,010.0	891.2	31.0	-22.9	-9.4	-13.2	664.8	110.5	11.0	223.8	2.2
C.25 - Manufacture of fabricated metal products, except machinery and equipment	1,738.3	969.2	62.6	-69.1	-21.3	-46.4	1,027.7	261.5	92.9	356.1	3.9
C.26 - Manufacture of computer, electronic and optical products	667.2	70.8	41.7	-16.5	-2.1	-13.3	422.4	121.7	7.1	116.0	4.3
C.27 - Manufacture of electrical equipment	646.1	137.6	24.5	-23.8	-8.7	-14.3	322.7	143.5	19.5	160.5	3.2
C.28 - Manufacture of machinery and equipment n.e.c.	1,667.8	194.8	44.6	-39.0	-9.8	-26.9	1,039.4	275.2	74.1	279.1	3.3
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	2,488.7	376.0	231.6	-108.9	-12.1	-93.3	1,782.6	332.2	20.3	353.5	2.8
C.30 - Manufacture of other transport equipment	665.5	67.2	6.1	-7.0	-2.2	-3.8	291.8	104.6	7.9	261.2	2.8
C.31 - Manufacture of furniture	249.6	69.4	17.4	-11.1	-3.3	-7.3	132.8	54.0	27.8	34.9	5.0
C.32 - Other manufacturing	312.2	64.1	3.6	-5.4	-3.2	-1.5	161.7	71.4	15.5	63.7	4.0
C.33 - Repair and installation of machinery and equipment	248.4	62.1	25.9	-18.6	-1.8	-15.8	137.3	19.4	36.3	55.4	4.1
D - Electricity, gas, steam and air conditioning supply	5,384.9	5,128.1	30.8	-110.0	-96.2	-12.3	3,138.8	864.1	1,037.8	344.3	5.9
D35.1 - Electric power generation, transmission and distribution	4,727.5	4,495.2	26.4	-96.3	-84.3	-10.5	2,831.0	752.1	871.0	273.6	5.7
D35.11 - Production of electricity	3,714.0	3,550.7	16.8	-80.6	-72.1	-7.3	2,022.1	707.3	778.1	206.4	6.1
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	243.4	239.9	1.2	-3.5	-2.6	-0.9	201.3	6.7	23.8	11.5	3.0

	Gross carrying amount (Mln EUR)			Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)							
		Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity (years)
D35.3 - Steam and air conditioning supply	414.0	393.0	3.3	-10.2	-9.3	-0.8	106.5	105.3	143.0	59.2	9.8
E - Water supply; sewerage, waste management and remediation activities	651.2	529.0	11.7	-21.8	-12.5	-9.1	265.4	169.8	72.9	143.2	7.3
F - Construction	8,506.2	1,923.9	257.4	-228.4	-59.8	-152.5	4,618.7	883.7	1,461.9	1,542.0	7.8
F.41 - Construction of buildings	6,866.8	1,617.0	154.3	-135.3	-46.1	-79.3	3,775.1	690.0	1,236.8	1,164.9	8.5
F.42 - Civil engineering	415.0	100.6	51.6	-49.0	-3.4	-44.2	252.8	32.8	57.4	72.1	3.9
F.43 - Specialised construction activities	1,224.4	206.3	51.5	-44.1	-10.3	-29.0	590.8	160.9	167.7	305.0	5.5
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	12,188.0	2,702.9	330.6	-321.5	-91.7	-196.2	7,861.7	1,673.3	968.9	1,684.1	4.0
H - Transportation and storage	4,505.3	922.0	75.3	-101.3	-49.0	-38.7	1,801.6	1,011.4	987.0	705.2	6.4
H.49 - Land transport and transport via pipelines	2,761.2	595.2	55.7	-71.4	-32.4	-30.2	1,311.4	480.1	542.2	427.5	5.7
H.50 - Water transport	83.7	29.9	3.4	-3.4	-2.0	-1.0	25.3	56.0	0.8	1.7	5.8
H.51 - Air transport	68.5	14.0	8.2	-2.7	-0.2	-2.5	37.1	11.9	0.0	19.5	2.7
H.52 - Warehousing and support activities for transportation	1,372.7	265.2	7.7	-18.7	-9.8	-4.9	291.0	407.9	442.1	231.7	8.6
H.53 - Postal and courier activities	219.2	17.7	0.3	-5.1	-4.6	-0.2	136.9	55.6	2.0	24.7	4.3
I - Accommodation and food service activities	4,551.8	1,930.9	239.5	-185.5	-81.9	-97.3	1,274.5	1,219.1	1,517.9	540.3	10.0
L - Real estate activities	28,625.7	4,871.9	309.4	-349.3	-177.0	-107.5	12,680.2	4,840.7	5,528.5	5,576.3	10.2
Exposures towards sectors other than those that highly contribute to climate change*	11,086.5	2,079.6	273.0	-266.5	-86.9	-154.5	5,657.9	2,233.4	1,485.7	1,709.5	5.8
K - Financial and insurance activities	354.2	17.1	16.0	-11.5	-0.4	-9.6	146.1	60.1	22.7	125.3	5.7
Exposures to other sectors (NACE codes J, M - U)	10,732.4	2,062.5	257.0	-255.0	-86.5	-144.9	5,511.8	2,173.3	1,463.1	1,584.1	6.9
TOTAL	96,425.4	25,923.0	2,349.8	-2,171.9	-815.0	-1,150.2	49,713.7	17,286.0	14,127.6	15,298.1	6.9

* In accordance with the Commission delegated regulation EU) 2020/1818 supplementing regulation (EU) 2016/1011 as regards minimum standards for EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks -Climate Benchmark Standards Regulation - Recital 6: Sectors listed in Sections A to H and Section L of Annex I to Regulation (EC) No 1893/2006

Table 81: Banking book- Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity (Art. 449a CRR, EU 1.CC Transition risk-Banking b. (EU) 2022/2453)

Overview below shows gross carrying amount per EPC label and energy consumption bucket of the underlying real estate collateral. Within the overview of loans collateralized by commercial and residential immovable property per energy efficiency (EP score), Erste Group has also included the exposures for which the energy consumption is estimated, in addition to separately presenting it in the dedicated row. When presenting the exspoure distribution per EPC label, the estimated EPC lables are no taken into consideration.

	Total gross carrying amount amount (in MEUR)															
		Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral	
		0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
Total EU area	113,358.9	15,522.2	62,608.1	14,718.8	3,679.6	3,020.2	726.8	4,201.3	5,018.6	2,288.3	1,147.6	461.0	147.9	288.3	99,805.9	86.9%
Of which Loans collateralised by commercial immovable property	30,671.1	5,026.6	11,828.0	7,340.9	1,843.4	266.3	352.1	880.3	1,307.9	1,013.5	766.2	266.8	42.1	72.2	26,322.1	84.8%
Of which Loans collateralised by residential immovable property	82,606.3	10,495.6	50,780.1	7,378.0	1,836.3	2,753.9	374.7	3,321.0	3,710.7	1,274.8	381.4	194.2	105.8	216.1	73,402.4	87.8%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	81.4	-	-	-	-	-	-	-	-	-	-	-	-	-	81.4	0.0%
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	90,848.6	12,066.4	58,805.0	13,351.8	3,202.0	2,843.3	580.1								52,610.2	100.0%
Total non-EU area	1,922.7	117.1	52.8	23.9	0.1	0.0	0.7	0.0	0.0	35.9	0.0	0.0	0.0	0.0	1,886.7	8.4%
Of which Loans collateralised by commercial immovable property	1,037.9	114.9	41.5	23.4	0.0	0.0	0.7	0.0	0.0	35.5	0.0	0.0	0.0	0.0	1,002.5	14.5%
Of which Loans collateralised by residential immovable property	884.7	2.2	11.3	0.5	0.1	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	884.1	1.5%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.0%
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	194.7	117.1	52.8	23.9	0.1	0.0	0.7								131.9	100.0%

Table 82: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral (Art. 449a CRR, EU 2.CC Trans-BB.RE collateral (EU) 2022/2453)

When assessing the exposure toward top 20 most polluting companies in the world, Erste Group used publicly available information published by Climate Accountability Institute. On top of single clients identified in Erste Group's portfolio, the connected customers of such clients are also included in the exposure overview, making eventually 0,02% of total exposure of the Group.

Gross carrying amount (aggregate)	Gross carrying amount towards the counterparties compared to total gross carrying amount (aggregate)*	Weighted average maturity	Number of top 20 polluting firms included
60.6	0.02%	3.8	6

*For counterparties among the top 20 carbon emitting companies in the world

Table 83: Banking book - Climate change transition risk: Exposures to top 20 carbon-intensive firms (Art. 449a CRR, EU 4.CC Transition-toppollutcomp (EU) 2022/2453)

The source of data used for estimation of geographical areas subject to physical risk is based on Munich RE classification of NUTS3 level codes. When estimating the subjectiveness of exposure to physical risk and physical risk type in the table below Erste Group uses both the geographical location of the client and geographical location of the real estate collateral in case of collateralized loans. Given that vast majority of Erste Group activities are based in core markets, those were the focus of analysis and are presented separately below.

Total portfolio	Gross carrying amount (in EUR million)													
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity (years)							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	1,835.1	932.7	494.8	248.2	70.0	5.9	0.0	591.6	1,154.0	224.7	69.6	-62.3	-14.8	-36.7
B - Mining and quarrying	438.1	291.7	29.2	26.5	32.3	4.0	0.0	14.4	365.4	169.9	3.8	-3.9	-2.1	-1.5
C - Manufacturing	18,652.4	8,763.2	2,925.5	743.8	1,972.5	4.0	0.0	2,059.5	12,345.5	4,201.1	577.3	-396.4	-103.1	-267.0
D - Electricity, gas, steam and air conditioning supply	5,384.9	2,742.6	735.0	713.9	195.8	5.4	0.0	215.2	4,172.0	4,248.7	23.4	-81.0	-69.3	-11.2
E - Water supply; sewerage, waste management and remediation activities	651.2	227.2	150.6	69.9	122.3	7.8	0.0	70.2	500.0	459.7	11.5	-20.7	-11.5	-9.0
F - Construction	8,506.2	4,412.6	764.0	1,399.7	1,391.6	8.1	0.0	344.5	7,623.4	1,829.6	241.6	-213.5	-57.1	-142.9
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	12,188.0	6,417.6	1,379.2	937.9	1,085.1	4.5	0.0	1,349.7	8,470.1	2,125.5	301.0	-279.6	-78.6	-174.5
H - Transportation and storage	4,505.3	1,446.7	957.9	779.6	567.6	6.6	0.0	231.9	3,519.8	824.9	61.5	-87.1	-47.3	-29.2
L - Real estate activities	28,625.7	10,949.5	4,437.2	5,298.5	5,356.6	10.6	0.0	1,695.9	24,345.9	4,487.0	231.7	-314.8	-170.1	-83.5
Loans collateralised by residential immovable property	86,036.4	8,804.6	7,045.7	23,242.4	44,416.1	18.2	0.0	12,966.7	70,542.1	9,886.1	985.0	-667.6	-290.5	-305.1
Loans collateralised by commercial immovable property	32,309.7	11,269.6	6,946.6	7,735.8	2,935.2	7.2	0.0	3,851.2	25,036.0	6,703.7	841.8	-654.4	-253.6	-327.7
Repossessed collaterals	81.5											-30.7		
Other relevant sectors (breakdown below where relevant)	15,638.3	5,522.7	2,598.6	2,875.6	1,599.5	7.8	0.0	754.6	11,841.7	3,496.8	428.2	-360.4	-145.1	-192.0

Table 84: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453) – Total portfolio

Austria	Gross carrying amount (in EUR million)													
	of which exposures sensitive to impact from climate change physical events													
	Breakdown by maturity bucket						of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	279.6	105.8	53.1	89.6	30.8	8.7	0.0	13.9	265.4	48.3	6.4	4.9	1.8	2.0
B - Mining and quarrying	221.1	133.4	24.4	26.3	31.6	4.6	0.0	6.5	209.3	142.1	3.6	2.4	0.9	1.4
C - Manufacturing	8,097.3	4,221.3	1,523.0	554.9	1,656.8	4.5	0.0	128.4	7,827.5	2,251.4	311.8	141.0	31.6	102.6
D - Electricity, gas, steam and air conditioning supply	2,030.3	1,006.3	277.2	486.1	135.3	6.7	0.0	9.6	1,895.3	1,851.9	2.9	24.4	22.0	2.2
E - Water supply; sewerage, waste management and remediation activities	258.4	97.2	62.8	45.8	46.2	6.5	0.0	1.5	250.5	237.5	8.2	9.6	2.3	7.3
F - Construction	6,255.3	3,157.7	451.1	1,275.7	1,319.1	9.4	0.0	61.5	6,142.1	1,244.7	161.2	122.6	30.5	84.8
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	4,773.4	2,406.9	635.5	706.6	790.0	6.0	0.0	107.0	4,432.1	1,084.5	129.1	89.8	24.0	60.5
H - Transportation and storage	1,618.7	417.4	305.9	391.8	499.9	7.7	0.0	11.9	1,603.1	297.7	28.1	27.9	13.2	13.0
L - Real estate activities	17,862.0	6,011.1	2,202.1	4,467.3	5,004.0	12.9	0.0	80.4	17,604.0	3,228.4	137.2	142.3	89.7	38.3
Loans collateralised by residential immovable property	48,108.5	7,363.8	4,476.4	13,514.2	22,746.6	8.5	0.0	772.7	47,328.3	6,432.3	542.2	204.5	100.0	81.5
Loans collateralised by commercial immovable property	14,800.3	3,429.8	2,855.5	5,940.7	2,415.1	9.2	0.0	197.5	14,564.5	3,430.0	457.4	210.3	79.2	120.4
Repossessed collaterals	1.0											-0.2		
Other relevant sectors (breakdown below where relevant)	8,095.3	3,281.0	1,238.1	2,203.8	1,237.3	8.5	0.0	35.7	7,924.5	2,280.3	277.0	174.2	55.8	110.2

Table 85: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453) – Austria

Czech Republik	Gross carrying amount (in EUR million)													
	of which exposures sensitive to impact from climate change physical events													
	Breakdown by maturity bucket						of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	689.5	305.9	230.8	139.1	7.3	6.4	0.0	515.6	167.6	72.7	15.1	15.3	5.3	6.4
B - Mining and quarrying	11.1	9.4	1.6	0.0	0.0	3.4	0.0	6.6	4.5	8.0	0.0	0.3	0.3	0.0
C - Manufacturing	2,702.8	1,875.8	616.4	102.6	65.2	3.1	0.0	1,567.6	1,092.4	827.7	150.3	121.7	17.8	98.1
D - Electricity, gas, steam and air conditioning supply	863.4	648.0	88.5	77.6	11.4	4.7	0.0	124.2	701.3	814.8	8.2	14.5	9.6	4.8
E - Water supply; sewerage, waste management and remediation activities	85.2	35.4	41.0	7.4	1.4	4.7	0.0	56.7	28.5	81.2	1.3	1.8	1.5	0.2
F - Construction	644.3	454.5	100.2	54.6	35.0	3.7	0.0	231.7	412.6	156.0	22.8	25.8	9.7	14.0
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	2,487.8	1,895.9	331.3	129.6	78.1	3.0	0.0	1,065.1	1,369.9	446.3	104.0	96.9	18.6	70.8
H - Transportation and storage	610.6	304.2	123.9	29.4	7.0	4.3	0.0	123.5	341.1	160.2	8.7	16.3	11.8	3.1
L - Real estate activities	3,784.0	1,839.7	1,155.4	457.3	331.7	7.3	0.0	1,447.0	2,337.0	535.3	45.7	67.2	42.2	17.7
Loans collateralised by residential immovable property	17,921.8	594.7	1,046.4	4,356.9	11,923.1	22.5	0.0	10,079.2	7,841.9	1,763.1	93.6	115.9	66.0	34.6
Loans collateralised by commercial immovable property	6,062.0	3,052.8	1,723.7	1,036.1	247.0	6.8	0.0	3,114.7	2,944.0	1,264.8	149.8	158.7	66.8	79.0
Repossessed collaterals	0.0													
Other relevant sectors (breakdown below where relevant)	1,927.3	883.3	433.5	352.1	246.3	8.2	0.0	623.2	1,292.0	525.8	69.3	75.8	30.4	39.9

Table 86: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453) – Czech Republik

Croatia	Gross carrying amount (in EUR million)													
	of which exposures sensitive to impact from climate change physical events													
	Breakdown by maturity bucket						of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	185.0	132.1	42.5	5.6	0.1	4.2	0.0	0.0	180.3	8.7	5.3	5.3	0.7	3.5
B - Mining and quarrying	2.7	2.0	0.5	0.0	0.0	3.3	0.0	0.0	2.5	1.7	0.0	0.1	0.1	0.0
C - Manufacturing	563.4	373.7	160.4	16.0	6.1	4.0	0.0	0.0	556.1	167.1	46.6	40.1	7.5	30.2
D - Electricity, gas, steam and air conditioning supply	314.3	200.4	105.2	8.8	0.0	3.9	0.0	0.0	314.3	313.3	0.9	7.0	6.2	0.8
E - Water supply; sewerage, waste management and remediation activities	56.8	30.3	13.0	12.0	0.2	5.6	0.0	0.0	55.5	55.2	0.2	4.2	4.0	0.2
F - Construction	181.0	154.8	14.6	3.4	2.5	2.5	0.0	0.0	175.3	35.1	15.9	16.2	1.6	13.9
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	481.0	346.2	106.9	8.0	2.0	3.2	0.0	0.0	463.0	96.8	19.9	19.1	3.3	14.0
H - Transportation and storage	292.7	77.6	77.4	4.1	0.3	4.9	0.0	0.0	159.4	64.7	8.6	8.0	3.4	4.0
L - Real estate activities	725.5	381.5	190.6	138.1	14.4	6.0	0.0	0.0	724.6	90.8	23.2	25.5	11.1	12.6
Loans collateralised by residential immovable property	1,298.8	90.2	172.8	571.4	464.4	16.0	0.0	0.0	1,298.8	179.3	63.0	51.3	11.3	37.6
Loans collateralised by commercial immovable property	1,845.5	802.6	744.5	284.7	13.4	6.4	0.0	0.0	1,845.2	386.3	83.9	93.1	36.1	51.8
Repossessed collaterals	29.3											-14.2		
Other relevant sectors (breakdown below where relevant)	1,289.6	540.6	541.7	180.7	1.6	6.1	0.0	0.0	1,264.6	389.0	39.2	59.6	35.7	20.1

Table 87: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453) – Croatia

Hungary	Gross carrying amount (in EUR million)													
	of which exposures sensitive to impact from climate change physical events													
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	167.5	82.6	54.2	2.7	22.5	3.7	0.0	0.0	162.0	54.0	5.5	6.0	2.6	2.9
B - Mining and quarrying	3.2	1.6	0.9	0.0	0.7	2.9	0.0	0.0	3.2	1.3	0.0	0.0	0.0	0.0
C - Manufacturing	767.0	456.8	200.6	2.2	87.2	2.9	0.0	0.0	746.8	155.9	19.4	16.9	6.6	8.3
D - Electricity, gas, steam and air conditioning supply	339.6	231.2	36.3	68.5	3.4	4.7	0.0	0.0	339.6	339.4	0.0	6.4	6.4	0.0
E - Water supply; sewerage, waste management and remediation activities	6.7	4.3	1.8	0.0	0.6	2.8	0.0	0.0	6.7	6.6	0.2	0.2	0.1	0.1
F - Construction	114.0	37.7	10.8	45.4	20.2	6.9	0.0	0.0	113.9	26.6	1.1	1.7	0.7	0.6
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	407.0	237.0	54.5	3.3	111.5	2.5	0.0	0.0	406.2	70.5	15.0	8.1	1.6	5.3
H - Transportation and storage	160.4	115.1	9.4	24.9	9.3	3.8	0.0	0.0	158.7	106.8	0.4	4.7	4.2	0.3
L - Real estate activities	1,133.6	861.4	241.4	29.5	1.4	4.6	0.0	0.0	1,133.6	64.0	1.2	9.4	4.7	0.4
Loans collateralised by residential immovable property	1,408.5	71.3	280.3	691.4	364.8	14.3	0.0	0.0	1,407.8	104.6	46.5	38.3	6.3	28.3
Loans collateralised by commercial immovable property	1,514.8	1,025.9	373.3	41.0	39.4	4.5	0.0	0.0	1,479.5	144.4	28.6	25.4	5.4	14.9
Repossessed collaterals	31.9											-6.1		
Other relevant sectors (breakdown below where relevant)	358.1	118.6	108.9	37.0	93.3	4.1	0.0	0.0	357.8	58.6	24.2	15.5	3.1	11.6

Table 88: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453) – Hungary

Romania	Gross carrying amount (in EUR million)													
	of which exposures sensitive to impact from climate change physical events													
	Breakdown by maturity bucket						of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	226.6	182.7	26.1	5.1	0.4	2.9	0.0	3.8	210.4	18.3	8.8	11.9	3.2	5.7
B - Mining and quarrying	140.2	135.3	1.0	0.0	0.0	3.2	0.0	0.2	136.1	9.7	0.1	0.6	0.3	0.1
C - Manufacturing	922.4	778.8	96.1	24.0	6.9	2.5	0.0	68.4	837.4	271.1	34.6	49.5	26.7	17.2
D - Electricity, gas, steam and air conditioning supply	318.4	191.5	66.4	60.5	0.0	3.6	0.0	67.1	251.3	272.3	5.6	7.9	6.8	0.9
E - Water supply; sewerage, waste management and remediation activities	52.3	33.2	16.8	0.0	0.2	4.2	0.0	2.5	47.7	40.6	1.1	3.3	2.6	0.6
F - Construction	498.6	333.4	128.0	0.0	1.3	3.5	0.0	7.0	455.7	246.1	22.4	26.0	7.0	17.3
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,072.0	922.4	52.4	2.0	2.3	1.7	0.0	35.8	943.3	247.3	12.8	37.9	21.2	8.2
H - Transportation and storage	628.2	294.0	127.2	163.6	0.4	5.6	0.0	24.5	560.8	140.9	11.6	23.8	13.0	6.5
L - Real estate activities	1,162.9	659.2	329.7	95.1	0.0	5.0	0.0	81.3	1,002.6	83.6	6.2	7.2	1.3	2.9
Loans collateralised by residential immovable property	4,139.2	110.0	234.2	1,223.1	1,450.5	19.2	0.0	229.7	2,788.0	674.2	76.1	131.3	74.2	49.3
Loans collateralised by commercial immovable property	1,559.9	731.3	305.6	13.4	0.1	3.0	0.0	26.0	1,024.3	401.6	21.7	30.4	13.8	12.7
Repossessed collaterals	19.2											-12.2		
Other relevant sectors (breakdown below where relevant)	460.8	265.1	55.9	10.9	12.1	3.2	0.0	5.1	338.9	47.5	7.0	12.7	5.9	4.5

Table 89: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453) – Romania

Serbia	Gross carrying amount (in EUR million)													
	of which exposures sensitive to impact from climate change physical events													
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	86.8	23.1	36.0	0.0	0.0	5.2	0.0	0.0	59.1	6.0	14.8	9.0	0.4	8.0
B - Mining and quarrying	8.0	0.5	0.0	0.0	0.0	1.7	0.0	0.0	0.5	0.1	0.0	0.0	0.0	0.0
C - Manufacturing	312.2	126.4	33.3	1.5	6.6	2.8	0.0	8.1	159.7	52.6	0.1	1.8	1.1	0.1
D - Electricity, gas, steam and air conditioning supply	188.0	6.8	84.6	3.3	0.0	7.7	0.0	0.0	94.7	79.2	0.0	1.3	1.2	0.0
E - Water supply; sewerage, waste management and remediation activities	10.4	1.3	0.0	0.0	0.0	0.9	0.0	0.0	1.3	1.3	0.0	0.0	0.0	0.0
F - Construction	79.9	15.7	6.8	0.0	0.2	3.1	0.0	0.0	22.7	3.2	2.9	3.0	0.4	2.6
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	130.2	54.8	6.4	0.0	0.0	1.9	0.0	0.4	60.9	11.6	0.2	0.8	0.4	0.1
H - Transportation and storage	58.8	5.8	4.7	0.0	0.0	3.5	0.0	0.2	10.3	3.3	0.2	0.3	0.1	0.1
L - Real estate activities	257.6	51.5	34.8	0.0	0.0	5.0	0.0	0.0	86.3	4.8	0.0	0.5	0.4	0.0
Loans collateralised by residential immovable property	417.6	6.4	17.1	60.5	61.0	17.3	0.0	5.5	139.5	5.3	1.0	1.3	0.4	0.5
Loans collateralised by commercial immovable property	509.2	134.1	148.7	0.0	0.0	4.6	0.0	1.8	281.1	73.9	7.9	7.8	3.0	4.1
Repossessed collaterals	0.1											0.0		
Other relevant sectors (breakdown below where relevant)	396.3	56.0	15.7	0.0	0.0	3.8	0.0	0.1	71.6	16.4	0.6	0.9	0.2	0.2

Table 90: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453) – Serbia

Slovenia	Gross carrying amount (in EUR million)													
		of which exposures sensitive to impact from climate change physical events												
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	2.8	0.6	1.8	0.4	0.0	8.3	0.0	0.0	2.8	0.3	0.0	0.0	0.0	0.0
B - Mining and quarrying	6.0	6.0	0.0	0.0	0.0	2.5	0.0	0.0	6.0	3.0	0.0	0.3	0.3	0.0
C - Manufacturing	300.6	140.0	66.2	9.3	85.1	4.3	0.0	0.0	300.6	111.2	1.6	3.6	2.2	1.1
D - Electricity, gas, steam and air conditioning supply	24.4	21.2	2.4	0.6	0.1	2.0	0.0	0.0	24.4	19.1	0.0	0.7	0.7	0.0
E - Water supply; sewerage, waste management and remediation activities	8.3	1.6	2.8	3.8	0.2	7.5	0.0	0.0	8.3	7.5	0.1	0.5	0.4	0.1
F - Construction	51.6	41.9	4.3	4.9	0.4	2.8	0.0	0.0	51.6	13.7	0.1	1.0	0.7	0.1
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	66.8	24.6	14.3	24.5	3.4	7.7	0.0	0.0	66.8	14.2	6.6	4.9	0.6	4.1
H - Transportation and storage	10.0	4.5	4.8	0.0	0.7	5.2	0.0	0.0	10.0	1.8	0.7	0.6	0.3	0.3
L - Real estate activities	240.8	145.6	57.6	36.3	1.3	6.2	0.0	0.0	240.8	54.9	11.3	11.3	1.8	8.8
Loans collateralised by residential immovable property	716.4	52.8	91.0	459.1	113.5	14.9	0.0	0.0	716.4	87.1	5.9	7.0	4.0	2.1
Loans collateralised by commercial immovable property	431.6	168.2	126.6	74.4	2.2	5.3	0.0	0.0	371.3	109.2	18.4	18.8	5.6	12.4
Repossessed collaterals	0.0											0.0		
Other relevant sectors (breakdown below where relevant)	102.9	45.0	29.5	26.9	1.2	6.3	0.0	0.0	102.7	27.2	1.3	4.3	3.0	1.0

Table 91: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453) – Slovenia

Slovakia	Gross carrying amount (in EUR million)													
	of which exposures sensitive to impact from climate change physical events													
	Breakdown by maturity bucket						of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	164.6	100.0	50.2	5.6	8.8	6.9	0.0	58.3	106.3	16.5	13.7	9.8	0.9	8.2
B - Mining and quarrying	4.4	3.3	0.8	0.2	0.1	5.2	0.0	1.1	3.3	4.1	0.0	0.1	0.1	0.0
C - Manufacturing	1,117.4	790.6	229.6	33.2	58.6	4.3	0.0	287.0	825.0	364.1	12.9	21.7	9.7	9.4
D - Electricity, gas, steam and air conditioning supply	565.4	437.2	74.4	8.4	45.5	4.6	0.0	14.2	551.2	558.7	5.8	18.9	16.4	2.5
E - Water supply; sewerage, waste management and remediation activities	110.9	23.9	12.5	1.0	73.5	16.8	0.0	9.5	101.4	29.7	0.5	1.2	0.7	0.4
F - Construction	293.8	216.9	48.2	15.7	12.9	5.0	0.0	44.4	249.4	104.2	15.3	17.0	6.3	9.6
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	892.9	529.8	177.8	63.8	97.8	6.6	0.0	141.5	727.7	154.3	13.5	22.1	8.8	11.5
H - Transportation and storage	748.5	228.1	304.7	165.8	49.9	0.0	0.0	72.0	676.5	49.3	3.2	5.4	1.3	1.9
L - Real estate activities	1,304.1	999.5	225.7	75.0	3.8	3.9	0.0	87.2	1,216.9	425.2	6.9	51.4	18.9	2.7
Loans collateralised by residential immovable property	10,190.4	262.3	467.9	2,204.3	7,255.9	22.8	0.0	1,833.6	8,356.8	316.5	135.9	102.6	21.8	63.2
Loans collateralised by commercial immovable property	1,871.8	1,233.9	333.1	143.3	108.5	5.1	0.0	249.9	1,568.9	585.6	14.5	64.8	29.7	4.7
Repossessed collaterals	0.0											0.0		
Other relevant sectors (breakdown below where relevant)	580.5	333.1	175.3	64.2	7.6	5.6	0.0	90.5	489.6	151.8	9.7	17.3	11.0	4.5

Table 92: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453) – Slovakia

Rest of the World	Gross carrying amount (in EUR million)													
	of which exposures sensitive to impact from climate change physical events													
		Breakdown by maturity bucket					of which exposures sensitive to impact from chronic climate change events	of which exposures sensitive to impact from acute climate change events	of which exposures sensitive to impact both from chronic and acute climate change events	Of which Stage 2 exposures	Of which non-performing exposures	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		
		<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity							of which Stage 2 exposures	Of which non-performing exposures
A - Agriculture, forestry and fishing	32.6	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
B - Mining and quarrying	41.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C - Manufacturing	3,869.3	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
D - Electricity, gas, steam and air conditioning supply	741.2	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
E - Water supply; sewerage, waste management and remediation activities	62.3	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
F - Construction	387.8	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
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	1,876.9	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
H - Transportation and storage	377.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
L - Real estate activities	2,155.3	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
Loans collateralised by residential immovable property	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
Loans collateralised by commercial immovable property	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
Repossessed collaterals	0.0											0.0		
Other relevant sectors (breakdown below where relevant)	2,427.6	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

Table 93: Banking book - Climate change physical risk: Exposures subject to physical risk (Art. 449a CRR, EU 5.CC Physical risk (EU) 2022/2453) – Rest of the World

Social risk

DISCLOSURE REQUIREMENTS Art. 435 and 449a CRR

The Erste Group's **business strategy** in regard to social risk is assured as detailed further on.

The social responsibility of Erste Group is strongly embedded into its foundations. Access to finance - opportunity to save and borrow money - for the unbanked part of the population was one of the main reasons for the foundation of Erste Österreichische Spar-Casse in 1819. With its historic background and as one of the important financial institutions in Central and Eastern Europe (CEE), Erste Group has an inherent responsibility for broader sustainability and ESG risks toward the society. The analysis of mid- and long-term developments, stakeholder perceptions, changes to the social and business environment and related social challenges, are key elements to determine the ESG strategy. ESG risks identification like potential environmental damages, severe negative social consequences or poor governance have been always an integral part of Erste Group business and risk management framework.

Since the last financial crisis, the risk of poverty and social exclusion has decreased in all our countries but is on high level in particular in selective regions and parts of the society. The still high and hardly improving in-work poverty (because many people work for minimal wages, partly compensated by the informal economy) and the rising cost of living in the region are affecting satisfaction with the standard of living. A low supply of new affordable housing and an almost non-existent social housing sector result in high overcrowding rates in CE as many young people cannot afford to move away from their parents' homes. With the rising real estate prices of the last decade, not only young and low-income people, but also the middle class can hardly afford to buy a property in larger cities. Energy poverty (not being able to afford heating bills), which still affects around 10% of society, underscores the clear need for energy efficiency measures and the renovation of older buildings.

Our analysis of socio environmental topics provided the basis for Erste Group’s long-term ESG strategy, objectives and framework. Furthermore, as already mentioned, the identified environmental and social challenges are taken into account in the ESG Factor Heatmap and Group Responsible Finance Policy. In context of our financing and investment operations, Erste Group considers social, ecological and ethical criteria as well as impact on society and the environment in addition to economic consideration. These standards are the ones used to define our compliance principles.

Erste Group through its Social Banking continues to be the leader in offering financial services to NGOs, start-ups and individuals in difficult situations. Social Banking initiatives focus on financially excluded or vulnerable private individuals (people at risk of poverty or social exclusion), start-up and micro entrepreneurs and social organisations (non-profit sector, non-governmental organisations and social enterprises) by offering them fair access to financial products, sound financial advice and business training and mentoring.

Moreover, Erste Group is also one of 28 signatory banks joining the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking’s Commitment to Financial Health and Inclusion. Within this commitment all signature banks need to set targets in respect to financial health and inclusion in 2023 and need to report on them annually with the following year thereafter to ensure transparency on the progress.

A business environment assessment focusing in particular on climate change and socio-environmental challenges of the CEE region was completed in 2021. It is a basis for the long-term strategic considerations of the financial resilience of Erste Group’s business model in relation to risks related to sustainability matters. Social and environmental issues were analysed with the support of the Austrian World Wide Fund for Nature including the loss of biodiversity and environmental degradation like water, soil and air pollution. Furthermore, housing status, health care, financial inclusion and education were assessed.

As already mentioned in the Environmental risk chapter, social cohesion shall be strengthened through inclusivity by:

Key risks and opportunities of the relevant social topics in the CEE region that translates into our aspirations to enforce the social inclusions and particularly focus on following activities.

_ Fostering financial inclusion through our social banking activities and thus strengthening social cohesion and civil society. The social banking services are provided to particularly vulnerable part of our society, including socially disadvantaged private individuals, NGOs and start-ups. Our social banking provides to these groups not only banking services but most importantly financial education, experience sharing and counselling. The benefit out of our activities we see not only in satisfaction of our customers but also through the number of jobs created or preserved. We aspire to reach EUR 650 million invested by 2025 through social banking finance and EUR 1billion by 2030, as well as to ensure 200.000 jobs preserved.

_ Investing into affordable housing to support decent living conditions for many of the lower middle-class households and single individuals. Our housing approach offers rents typically 20-25% below commercial landlord approach. We aim to reach a building stock of 15.000 affordable housing units by 2030 in CEE region.
_ Bringing financial health and financial literacy to our clients and the young generation through our financial life-park facility and many partnership agreements with schools across the CEE region. We aim to provide financial education to 500,000 beneficiaries by 2030.
_ Promoting gender diversity as an important element of healthy corporate culture.

ESG objectives and targets are part of the yearly strategic planning of Erste Group, which is approved by the Holding Board, as well as by the local management boards. Targets, ESG KPIs are part of the variable remuneration of the Management Board members, as described in the Environmental risk chapter.

Our commitment to social issues is visible through our memberships and participations. Besides our membership in UNEP FI Erste Group participates in the UN Global Compact as well.

In 2021 Erste Group joined three initiatives of the United Nations Environmental Programme for Financial Institutions (UNEP FI). It became a signatory of the Principles for Responsible Banking, was the first Austrian bank to join the Net Zero Banking Alliance and was a founding member of the Financial Health and Inclusion initiative.

Under the UN Global Compact, we commit ourselves to meeting our responsibilities with respect to human rights, labour standards and the fight against corruption. The principles which guide our strategy derive from the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the United Nations Convention Against Corruption, amongst others. Erste Group refers to a recommendation of the Organisation for Economic Cooperation and Development (OECD) that financial literacy should start as early as possible.

Erste Group is committed to the highest standards of corporate governance and responsible behaviour of every individual and conducts its business in compliance with applicable laws and regulations. Erste Group is a member of Transparency International (TI), Erste Group's chairman of the supervisory board is a board member of TI.

Also, new regulatory developments like the European Union's social taxonomy are closely monitored, and Erste Group contributed to the relevant consultation processes.

As regards to the measures taken to mitigate the risks associated with social factors, please refer to the chapter dedicated to Environmental risk where the Group Responsible Financing Policy is mentioned.

Erste Group's commitment to society has never been limited to business activities alone. We consider financial literacy, access to banking products for financially excluded groups are areas where we can generate a significant positive impact on society. By making basic financial products available to disadvantaged groups through our social banking initiatives, Erste Group contributes to fighting poverty and increasing prosperity. Financial education may help customers to take better decisions. The result: better investment and finance decisions for customers, higher earnings and lower risk for the bank. The development and approval of new products and services is based on a structured process which is informed by strategic goals (identified customer needs and market opportunities) and guarantees comprehensive quality assurance. Erste Group's employees are a key asset in the successful transformation of our organisation, corporate culture and competences. Sustainable human resources management encompasses effective diversity and inclusion management. Attracting, retaining, and engaging highly qualified employees is crucial to the business success of Erste Group. One of the measures is to involve its employees in management decisions via representative bodies, in particular in matters that directly affect employees. Erste Group accords high priority to the health of its employees. A sound work-life balance is essential for maintaining and promoting health.
The governance of social risk is covered as detailed further down.
Social risks materializing usually impact the institution's reputation. Therefore, we have identified so-called "areas of concerns" within our Reputational Risk Management Policy, which includes a high number of social risk factors. For the management of reputational risk, the three lines of defence concept applies. Where there is no strict guidance (go/no-go criteria) for business decisions with related reputational risk the Regional Conduct Committee (ROCC) is entitled to set decision parameters for unregulated areas of concerns. Similar to all other risk types/categories the common risk management cycle (identification & assessment, evaluation, response, monitoring) has to be applied also for identified reputational risk. The results of the risk management cycle have to be properly documented and reported. Identified risk events with reputational risk impact have to be evaluated based on the Operational Risk Scaling Matrix and the Risk Appetite Statement. The Operational Risk Scaling Matrix takes into account the probability and the severity of a possible risk event. All of

the identified and evaluated occurrences with reputational risk impact have to be managed in order to keep the risk exposure within the approved risk appetite by choosing and deciding on one of the following strategies: (a) avoidance, (b) mitigation or (c) acceptance.

The risk committees, as well as allocation of tasks and responsibilities in the risk management framework to monitor and manage social risks are detailed below.

In General, all committees are dealing within their scope and competences with emerging ESG-risks. For the impact of ESG-risks in the daily course of businesses, specific ESG-risk committee (i.e., ROCC) is established.

The ROCC holds delegated decision authority from the Holding Board with respect to Operational and Non-Financial Risk decisions, which may be represented as NFR decisions based on the predefined Risk Appetite Statement (RAS) and may decide on all matters as listed in this bylaw.
Scope:

_ The committee (a) decides on strategic steering topics based on NFR reporting (holistic risk overview), (b) serves as a sounding board on business risk decisions concerning non-financial risks and ESG impacts and (c) decides on escalations to Holding Board.
_ It facilitates lessons learned, initiates focus areas and decides on the implementation of corresponding group-wide measures.
_ It acts as a Reputational Risk and ESG Committee.

The ROCC, in order to facilitate the scope:

_ establishes, implements and maintains relevant group-wide methodologies and risk management standards for non-financial risks and ESG impacts on group level;
_ may provide recommendations and/or decisions on the implementation of group wide NFR/ESG decision proposals, corrective measures and risk mitigation actions for critical and significant Non-Financial Risks;
_ decides on single NFR decision applications where reputational risk or ESG impacts are the main drivers of the risk impact;
_ decides on a framework guideline for each Area of Concern (dos and don'ts) where no specific group policy to regulate the Area of Concern is in place (please see Group Reputational Risk Policy);
_ may delegate NFR decisions to other committees, if the decisions are in scope of these committees anyway (e.g., if a credit application that is to be decided in Credit Committee also poses a non-financial risk, Credit Committee will decide about the approval of the credit application and the acceptance of the non-financial risk).

The NFR management process (as a generic blueprint) applies also for the management cycle of identified social risks. It is based on the three line of defence concept, where the first line is responsible to manage the risk on a day-to-day basis.

Report on single NFR decision deriving from social risks will be implemented in the course of 2023 as part of the overall risk reporting landscape.

As regards the remuneration policy and whether social risk is included, please refer to the Environmental risk chapter, the section related to governance where the remuneration policy is mentioned.

Overall ESG performance is measured as external assessment by ESG rating (MSCI at least "A", ISS ESG at least "C-", and Sustainalytics "first quartile") These ratings are renewed regularly and focus strongly on social aspects (human capital, product safety, customer care, accessibility). Erste Group analyses the results and strives to keep or even increase its scores. ESG ratings are one of the KPIs of EGB's board members (as well as local management boards') remuneration.

Additionally, **risk management** is also embedded in the following processes used to identify, measure and monitor activities and exposures (and collateral where applicable) sensitive to social risk.
ESG risks arise as negative financial impact from the materialization of negative environmental, social or governance events. Social risks are mostly those which materialize due to poor standards of respecting elementary rights, inclusiveness, or ineffective labor relations and unfair-, untransparent or malleus customer practices. Social risks materialize mostly through damage to reputation, ineffective or even disrupting operations or loss of critical labor force, and finally through financial claims and liabilities due to improper practices.
Within "Group ESG Risk Definition Policy" Erste Group developed a set of ESG Risk Drivers to identify the high level negative ESG impact areas and we defined concrete ESG Risk Events through which it understands the transmission or crystallization of the negative impacts.

Based on double materiality assessment Erste Group identified the following main social risk drivers:

_ Human Rights (rights of freedom, child labor, forced labor & human trafficking, pour conditions on healthcare, education and job safety, differentiation in conditions, compensation, segregation).
_ Workers' rights (violation of worker's rights as collective bargaining, association, working hours; pour worker safety record, forced labor conditions, child labor).
_ Costumer protection and conduct risk (exposure to liability by consumer protection, consumer rights and wrong customer preference, exposure to damages caused by products, services, increased legal charges against the company, weak personal data security and privacy protection, claims of unfair and misleading promotion).

As a member of UN Global Compact, Erste Group refer to their standards as well as to UNEP FI human rights tool, and the GRI reporting standards on social topics.

Within the risk assessment of loan origination and monitoring process for large corporate and commercial real estate transactions, Erste Group includes an ESG questionnaire-based screening through the Group's ESG Assessment Questionnaire, detailed in the Environmental risk chapter. Also covered are social risk factors like exposure to human rights violations, child labor and forced labor, violation of employee rights or improper customer services and marketing. Components of the Location Rating , such as accessibility and infrastructure are also integrated in this assessment. For segments with lower exposures, the main instrument used is the ESG Factor Heatmap, where potential social risk factors, such as human rights, workers' rights and customer protection, are taken into account within the regional industry risk assessment in the process of reviewing the heatmap. For further information regarding the ESG Factor Heatmap, please refer to the Environmental risk chapter.

For single decision taking, out of the identified social risks, NFR decision process has to be considered, while in case of credit/loan decisions this is incorporated in the respective process. Product Approval Process Operational Risk Assessment (PAP) and outsourcing for change the bank and NFR decision for others (e.g., financing, etc.)

Regarding the tools implemented and used to identify and manage social risks, please refer to the Environmental risk chapter, as well as the section related to risk management processes used to identify, measure and monitor activities sensitive to social risk.

The potential impact of social risks on the quality of our credit portfolio was considered with 2022 Group RMA for ICAAP purposes, based on the qualitative assessment on the level of industry sub-segments. Potential impact on the Erste Group' capital adequacy has been assessed as low, considering our portfolio profile and exposure of the companies in CEE region to the social risks (human and workers' rights, consumer protection and conduct risk).

Governance risk

DISCLOSURE REQUIREMENTS Art. 435 and 449a CRR

Erste Group Bank AG is a stock corporation established according to Austrian law and since 2003 has declared its commitment to complying with the rules of the Austrian Code of Corporate Governance (Austrian CCG – see www.corporate-governance.at) with the objective of ensuring responsible and transparent corporate governance.

ESG governance is compressively assured as detailed further down.

The **Management Board** is responsible for managing the company as required for the benefit of the company taking into account the interests of the shareholders and the employees as well as public interest. The management board specifies values and targets and defines the sustainability strategy; in doing so, it must include aspects of sustainability and associated opportunities and risks relating to the environment, social issues and corporate governance. It is responsible for the ESG framework, priorities and targets. Furthermore, it ensures the implementation of the sustainability strategy with adequate resource allocation and controls and is regularly informed of status and achievements. These tasks are implemented via the **Group Sustainability Board**, a subcommittee of the management board. These bodies were briefed on climate- and environment-related topics nine times in 2022 as part of presentations by the Group ESG Office.

The **Group ESG Office** which is assigned to the **CEO** area promotes Erste Group's sustainability strategy and acts as the main advisor to the management board on the ESG strategy, targets and priorities. It provides key ESG policies, ensures inhouse expertise on climate, environmental, social and governance objectives, defines ESG governance framework, financing rules and selectively intervenes on single transactions. In addition, it ensures transparency on Erste Group's sustainability impact. It works together with investors, ESG rating agencies, NGOs or regulatory and public bodies. It ensures coordination with the local ESG offices. The ESG Office manages divisions and cross-group bodies like the ESG Core Team and the Group Sustainable Finance Committee.

The **ESG Core Team** is set up as a collaboration platform to develop objectives, targets and corresponding initiatives through senior managers of various areas – business, finance, risk management and other support functions. They work together to develop ESG objectives and initiatives. Here, agreements and coordination are reached on initiatives, deadlines and other implementation topics, which are then implemented by the respective internal stakeholders. It ensures agreements on initiatives, timelines and other implementation matters. It is organised by the Group ESG Office and holds bi-weekly meetings.

The main task of the **Group Sustainable Finance Committee** is the coordinated development of fundamental ESG methodologies for steering tools such as portfolio limits, pricing or the ESG Factor Heatmap (graphical representation of ESG risk factors for industry segments). The committee is chaired by Erste Group's sustainability officer. He is supported by voting executives from the risk and business units. The committee is responsible for the content of Erste Group's Sustainable Finance Framework, group-wide sustainable asset classification criteria, asset allocation and reporting requirements. The committee's recommendations are submitted to the respective decision makers for decision within the usual governance structures. The committee is organized by the Group ESG Office and meets as needed. In 2022, 10 meetings were held on topics including the selection criteria for green assets for financing purposes and changes in the calculation of financed emissions.

The main tasks of the **Supervisory Board** include approving the fundamental strategic decisions of the management board; thus, it oversees the sustainability strategy, the ESG framework. The supervisory board oversees its implementation. In 2022, the supervisory board has established a separate **Strategy and Sustainability Committee** for this purpose; its activities are described in the (Consolidated) Corporate Governance Report. The **Audit Committee** is responsible for reviewing the (Consolidated) Non-financial Report prepared by the management board. These bodies were informed 11 times in 2022 of climate and environment-related topics as part of presentations by the Group ESG Office. In addition, two scientific presentations were organized for the supervisory board on the topics of the economic impact of climate change and the relevance of ESG aspects for our customers in our core markets. The management board of Erste Group also attended these lectures.

The task of these bodies is thus also to monitor and manage the risks arising from Erste Group's business activities, especially for the environment, these are essentially the financed emissions. How Erste Group identifies and manages climate-related risks as part of its risk management is described in detail in the annual report - consolidated financial statements, notes [32 and 36] as of year-end 2022, and includes the materiality assessment, the application of quantification methods, and the resulting due diligence.

Additional details are mentioned above in the chapter related to Environmental risk.

The members of the Supervisory Board (SB) have independent capacity and competence to review the ESG context, as well as the Non-financial Report, in particular, based on the audit report of an external auditor. After the ascertainment of the Non-financial Report by the management board, the Audit Committee (AC) formally discusses and reviews the Non-financial Report after the final presentation of the results and comments by the external auditor. SB reviews the Non-financial Report taking into account the recommendation of approval of the AC and the external auditor's audit report. The SB reports to the General Assembly on the results of the review of the Non-financial Report. The management board bears the ultimate responsibility for the correctness of the Non-financial Report.

In 2022 risk materiality assessment the governance risk was assessed for the first time and evaluated as being of low materiality.

Within the risk assessment of loan origination and monitoring process for large corporate and commercial real estate transactions, Erste Group includes an ESG questionnaire-based screening through the Group's ESG Assessment Questionnaire, detailed in the Environmental risk chapter. Also covered are governance risks, covering governance failure, supply chain management issues, corporate governance and transparency, to name a few.

The ESG Assessment Questionnaire plays an integral role in the credit application for different types of clients and/or transactions, as detailed in the Environmental chapter. Together with the Erste Group's policies, it forms a part of the credit application and approval process, according to the established credit approval authorities of the Group.

In the corporate rating model, two soft fact questions covering the counterparty's governance compliance are also assessed to determine if a higher probability of default may be triggered by ESG related risks. This risk is assessed on a short-term (12 months) time horizon.

For segments with lower exposures, the main instrument used is the ESG Factor Heatmap, where potential governance risk factors, such as as corporate governance, ethical standards and transparency, are taken into account within the regional industry risk assessment in the process of reviewing the heatmap. For further information regarding the ESG Factor Heatmap, please refer to the Environmental risk chapter.

For identified risks, the Non-Financial Risk decision process might be used to evaluate and take decision on single case-base. In case of unregulated areas of concern are affected, as defined in Reputational Risk Policy, the ROCC is enforcing group standards and decision-maker in emerging single risks and takes the final decision. For further information regarding the ROCC, please refer to the Social risk chapter.

Other risks

Encumbered and unencumbered assets

DISCLOSURE REQUIREMENTS Art. 443 CRR

Erste Group is obliged to report encumbered and unencumbered assets at Group level based on the CRR scope of consolidation in the manner set out in the EBA guidelines on disclosure of encumbered and unencumbered assets: The median value of the fair value of encumbered assets that are notionally eligible to the qualification of Extremely High Quality Liquid Assets (EHQLA) and of High Quality Liquid Assets (HQLA) are presented.

in EUR million	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	51,002.7	11,527.6			276,571.9	36,853.7		
Equity instruments	25.7	-	25.7	-	1,454.6	0.0	1,414.6	0.0
Debt securities	13,361.3	11,439.7	12,268.0	10,326.4	39,597.6	32,661.9	36,842.0	30,249.4
of which: covered bonds	1,337.4	998.8	1,216.7	918.2	1,003.4	543.6	1,004.7	492.0
of which: asset-backed securities	-	-	-	-	41.1	2.0	41.1	2.0
of which: issued by general governments	9,515.3	9,335.1	8,184.6	8,035.2	32,289.3	30,213.3	29,618.5	27,568.4
of which: issued by financial corporations	3,548.4	1,713.7	3,312.8	1,545.9	6,048.9	2,895.4	5,898.8	2,774.5
of which: issued by non-financial corporations	479.5	138.6	424.7	134.6	1,314.7	390.6	1,325.2	377.6
Other assets	37,683.2	61.6			234,571.2	3,682.6		

Table 94: Encumbered and unencumbered assets (Art. 443 CRR, EU AE1 (EU) 2021/637)

in EUR million	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the disclosing institution	4,983.3	4,389.6	19,496.5	17,144.7
Loans on demand	-	-	-	-
Equity instruments	27.2	-	227.7	-
Debt securities	4,955.1	4,389.6	18,496.4	17,144.7
of which: covered bonds	499.8	238.1	-	-
of which: securitisations	-	-	-	-
of which: issued by general governments	231.6	150.1	3,100.3	2,456.0
of which: issued by financial corporations	505.6	229.0	757.7	188.8
of which: issued by non-financial corporations	70.5	41.7	253.5	32.8
Loans and advances other than loans on demand	0.0	-	-0.0	-
Other collateral received	-	-	779.0	-
Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
Own covered bonds and securitisation issued and not yet pledged			2,274.0	-
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**56,131.6**	**16,048.3**		

Table 95: Collateral received and own debt securities issued (Art. 443 CRR, EU AE2 (EU) 2021/637)

in EUR million	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	43,517.4	56,131.6

Table 96: Sources of encumbrance (Art. 443 CRR, EU AE3 (EU) 2021/637)

In 2022, EUR 56.1 billion (2021: EUR 54.5 billion) of the Group's own and received assets were identified as being encumbered based on the EBA definition. Main sources of encumbrance in Erste Group are:

_ issuance of covered bonds,
_ collateralised trading activities,
_ collateralised open market transactions with the ECB.

Asset classes primarily used to securitize or credit-enhance the above-mentioned purposes are loans and advances to customers (mortgage and public cover pool collateral assets) and debt securities predominately qualifying for central bank eligibility as well as qualifying as HQLA under the LCR Delegated Act. As a result of Erste Groups predominately unsecured funding position, for the most part made up of customer savings and current accounts, the median amount of encumbered assets is moderately low in proportion to total assets of Erste Group Bank AG at around 15,6% over 2022 (down from 17,6% in 2021).

There is material intragroup encumbrance in Erste Group which does not affect the external encumbrance level, whereby it should be distinguished between long term and short-term intragroup encumbrance. The long-term portion is almost exclusively driven by intragroup encumbrance due to the Austrian covered bond issuance platform involving Erste Group Bank AG (Holding) and Austrian entities (Erste Bank der Oesterreichischen Sparkassen AG and Savings Banks belonging to the IPS) as well as a similar centralized construction for mobilizing non-marketable collateral for central bank open market transactions. Austrian subsidiaries contribute mortgage as well as public sector loan assets to the cover pools of Erste Group Bank AG (Holding) which in turn issues covered bonds on said pool of assets. The Austrian cover pool model and central bank eligible non-marketable assets pooling platform (used for central bank funding) constitute the majority of the total intragroup encumbrance within the banking group. The short-term portion of intra-group encumbrance is driven by collateralized transactions for the purpose of liquidity optimization between entities and market making across the Group.

The main driver of asset encumbrance in Erste Group over 2022 are collateralized central bank transactions (TLTRO3) with a net early repayment in Q4 2022 of EUR 5,675bn to a reduced but still material outstanding EUR 15,505bn at YE 2022. Unchanged to the previous years the other main drivers of asset encumbrance in Erste Group are the 4 rated covered bond programs with relevant over collateralization levels required for external ratings. The programs are situated in countries with different risk profiles regarding the issuance of covered bonds. The issuance models differ significantly between certain jurisdictions (e.g. Austria: Off balance asset pooling on Holding level and on balance issuance of covered bonds; Hungary: Issuance from specialised mortgage bank institution) and therefore have varying effects on the level of encumbrance of the relevant issuing entity. The over collateralization requirement for Erste Group Bank AG's current covered bond ratings as of Q4 2022 is 8.9% (NPV for the mortgage program currently rated Aaa by Moody's, down from 9.6% in 2021) and 7,5% (NPV for the public program currently rated Aaa by Moody's, down from 9,3% in 2021) both percentages are used to determine encumbered assets resulting from the issuance from said covered bond programs. The other programs' over collateralization requirements currently range from 5% (in voluntary form for Erste Bank Hungary Mortgage Bank) to 9.5% (SLSP for Moody's Aaa rating).

Erste Group Bank AG currently holds retained own covered bonds in the amount of EUR 12.2 billion (nominal, stable over 2022). The volume of retained covered bonds is necessitated by the collateral requirement stemming from central bank refinancing (TLTRO 3) mentioned above. The assets backing retained covered bonds are generally considered unencumbered unless the covered bonds are used to collateralize any transactions constituting a source of encumbrance pursuant the EBA ITS on asset encumbrance reporting under Article 100 of the Capital Requirements Regulations (EUR 12.2bn nominal used/encumbered as of Q4 2022, stable over 2022).

The actual Group level of asset encumbrance is reviewed quarterly by the Asset Liability Committee (Group ALCO) of Erste Group Bank AG, where material changes are discussed, and potential steering measures approved. It is worth mentioning that the levels of individual asset encumbrance vary on single entity level mainly due to heterogeneous business models within the Group and secured intragroup transactions not affecting external asset encumbrance. Any risk arising from such discrepancies is sufficiently monitored and managed at both Group and individual entity level (local ALCO equivalent). To further ensure proper management of asset encumbrance throughout the group, an internal governance framework is in place, which includes a Group-wide policy on reporting, steering and limiting the level of asset encumbrance on Group and individual entity level. Furthermore, asset encumbrance is an integral part of the Group's ALM and Risk Strategies. Local levels are monitored and managed by the relevant local committees (ALCO equivalent). The prevailing as well as projected encumbrance levels (Group and local) are taken into consideration when setting up the Group's and individual entities funding plans and the respective liquidity risk profiles during the yearly budgeting process.

Macroeconomic risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Macroeconomic risk is the risk that the bank incurs losses due to adverse changes in the overall economy. It includes also the risk of severe shock that could result in such financial instability that it will spread in all parts of the financial system and to the extent that could have negative impact on the real economy.

METHODS AND INSTRUMENTS APPLIED

As transversal risk, macroeconomic risk is a risk driver of key risk types (e.g. credit, market, liquidity, operational risk…). Thus, the risk management framework around macroeconomic risk is implemented under affected key risk types.
In the course of stress testing, scenarios are developed based on the assumption of deteriorating economic conditions. These macroeconomic scenarios apply not only to the entire portfolio of the Group, but also to earnings and capital adequacy. This method reveals how the changed economic conditions affect the risk and earnings situation as well as own funds. Risk modelling and stress testing are vital forward-looking elements of the ICAAP. Sensitivities and macroeconomic stress scenarios are considered within the Group's planning and budgeting process.

Pandemic risk including COVID-19 quantitative disclosure

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Pandemic risk is possibility of adverse effect on the bank's financial result or capital due to the impact of widespread infectious disease in humans on human health, economies, and communities. Pandemics are epidemics (occurrence of disease above an expected norm) that affect at least several countries on more than one continent. A main characteristic of this risk is that it combines a low probability of occurrence with high, potentially catastrophic, global impact.

METHODS AND INSTRUMENTS APPLIED

The pandemic situation considerably improved during 2022 leading to the assessment as immaterial risk with stable outlook for 2023, considering COVID-19 pandemic is under control and new lockdowns are not expected in our region. COVID-19 pandemic is still not fully over and spill over effects are difficult to predict as dependent on the short term occurrence of new virus variants, but not expected to have material impact on Group capital adequacy.

Consequently, Erste Group adjusted its risk management framework to decreased level of risk and lifted majority of risk mitigation measures put in place back in 2020 (e.g. stage overlay and FLI for risk costs). However, regular reporting and some precautionary measures to protect own employees remained in place.

in EUR million	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non performing				Performing			Non performing			
			Of which: exposures with forbearance measures	Of which: Stage 2		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Stage 2		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures
Loans and advances subject to EBA-compiant moratoria	**1.3**	**1.3**	**0.1**	**0.8**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
of which: Households	0.1	0.1	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
of which: Collateralised by residential immovable property	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
of which: Non-financial corporations	1.3	1.2	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: Small and Medium-sized Enterprises	0.7	0.7	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: Collateralised by commercial immovable property	1.2	1.2	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 97: Information on loans and advances subject to legislative and non-legislative moratoria (Template 1 EBA/GL/2020/07)

in EUR million		Gross carrying amount							
					Residual maturity of moratoria				
	Number of obligors		Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	561,649	11,296.9							
Loans and advances subject to moratorium (granted)	553,492	10,630.1	7,559.0	10,628.8	1.1	0.1	0.0	0.0	0.1
of which: Households		6,379.8	5,171.9	6,379.7	0.0	0.0	0.0	0.0	0.0
of which: Collateralised by residential immovable property		4,470.5	3,759.5	4,470.5	0.0	0.0	0.0	0.0	0.0
of which: Non-financial corporations		4,147.6	2,337.5	4,146.4	1.1	0.1	0.0	0.0	0.0
of which: Small and Medium-sized Enterprises		3,361.4	1,947.5	3,360.6	0.7	0.0	0.0	0.0	0.0
of which: Collateralised by commercial immovable property		872.1	585.2	870.9	1.1	0.1	0.0	0.0	0.0

Table 98: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria (Template 2 EBA/GL/2020/07)

in EUR million	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	2,269.3	201.5	1,608.8	21.6
of which: Households	98.6			1.1
of which: Collateralised by residential immovable property	1.0			0.0
of which: Non-financial corporations	2,164.4	191.9	1,526.9	20.4
of which: Small and Medium-sized Enterprises	1,669.1			19.0
of which: Collateralised by commercial immovable property	74.1			0.0

Table 99: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis (Template 3 EBA/GL/2020/07)

Political risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Political risk is the exposure to a loss, caused by events in a particular country which are under the control of the government but clearly not under the control of an independent private enterprise or individual, e.g. expropriation, changes in regulatory/legal regime (incl. changes of banking regulatory regime defined by national or international authorities), war, terrorism and other political upheaval, which might have negative impact on the capital position or profitability of an institution (directly or indirectly through its clients).

METHODS AND INSTRUMENTS APPLIED

Country risk management is responsible to identify, record and report political risks. Apart from daily constant observation and reporting, there are dedicated committees which deal with political risks in a very broad sense. Moreover, in the sovereign and country rating process, political risk is also constantly observed, identified, judged and taken into account.

Credit risk concentration

DISCLOSURE REQUIREMENTS 435 (1) (a) (b) (c) (d) CRR

Credit Risk Concentration refers to the potential adverse consequences, which may arise from concentrations, such as exposures to same counterparties, groups of connected counterparties, counterparties in the same economic sector or geographic region or from the same activity or commodity, as well as the risk arising from the application of credit risk mitigation techniques.

METHODS AND INSTRUMENTS APPLIED

Erste Group has implemented a comprehensive system for the identification, measurement, control, reporting and management of credit risk concentration. This is of key importance for securing the long-term viability of credit institution especially in phases with an adverse macroeconomic environment.

Credit risk concentration management at Erste Group is based upon a framework of processes, methods and reports covering both single name and industry concentrations. Diverse analyses are conducted on a regular basis, reviewed and reported. Credit risk concentration is also taken into account systematically in the stress factors of stress tests. The output of the risk concentration analysis additionally contributes to the identification of material risks within the risk materiality assessment as well as to the Risk Appetite Statement and to the setting/calibration of Erste Group's limit system.

Strategic risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Strategic risk is possibility of adverse effect on the bank's financial result or capital due to absence of adequate strategies and adverse business decisions, or their inadequate implementation, changes in the business environment in which the bank operates or failure of the bank to adequately respond to these changes. Elements considered within strategic risk are:

- Business risk is the possibility of adverse effect on the bank's financial result or capital from unexpected fluctuations in volumes, margins and operating expenses, reflected in deviation of realized from expected net operating result, arising from both external factors and internal shortcomings (incl. inadequate management/operational mechanisms, systems and controls). All revenue or cost fluctuations which are attributable to market risk, credit risk or operational risk are explicitly excluded from this definition.
- Capital risk is the risk that bank has an insufficient level and composition of capital to support the its business activities and associated risks during normal and stressed conditions, which can be result of, among others, possible erosion of capital as a result of dividend and/or remuneration policies, limited access to additional capital due to ownership structure and lack of market access to supplementary capital sources.
- Profitability risk means the risk which arises due to inability of the bank to ensure adequate and constant level of profitability in line with market expectations or own targets.

METHODS AND INSTRUMENTS APPLIED

Group has implemented a comprehensive framework for the identification, measurement, control, reporting and management of strategic risk. As part of its overall risk management framework, Erste Group is regularly reviewing strategic risk at both Group and local entity levels, reflecting current developments in operating environment (macroeconomic, (geo-)political, pandemic, ESG), different legal jurisdictions as well as different business strategies and balance sheet structures. For Pillar 2 purposes, Erste Group quantifies business risk by using a quantitative model, using the deviation of budgeted vs realised values. The results of the model are used in economic capital and risk bearing capacity computations.

Reputational risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Reputational risk is the current or prospective risk arising from negative perceptions on the part of customers, suppliers, stakeholders, the public or other relevant parties that, apart from the Bank's reputation itself, can adversely affect the bank's earnings, funds and liquidity. It mostly depends on competence, integrity, social responsibility and reliability of the bank. Reputational risk issues usually arise from transactions with clients or through different business activities.

Reputational risk (impact) can also be considered as a secondary effect of other risk categories, such as credit, market, operational and liquidity risk (source risks).

GOALS AND PRINCIPLES OF RISK MANAGEMENT

Erste Group does not quantify reputational risk explicitly in the economic capital calculation under pillar 2. The quantification of reputational risk distinguishes two types of losses:

_ losses the bank is willing to accept in order to avoid reputational damage, typically quantified in terms of market, credit and operational risk economic capital;
_ negative reputational damage on future earnings, e.g. reduced operating revenues due to the loss of customers covered by the business risk economic capital.

METHODS AND INSTRUMENTS APPLIED

Reputational Risk Management is embedded in the "Group Reputational Risk" Policy and in the "Group Operational & Non-Financial Risk management" Procedure, where the Regional Operational Conduct Committee (ROCC) is established. It holds delegated decision authority from the Holding Board with respect to Operational and Non-Financial Risk decisions, which may be represented as NFR decisions based on the predefined Risk Appetite Statement (RAS).

The Regional Operational Conduct Committee (ROCC) is a forum for joint alignments, decisions, and escalations in non-financial risk areas across Erste Group entities and Erste Group Bank AG itself. It (a) decides on strategic steering topics based on NFR reporting (holistic risk overview), (b) serves as a sounding board on business risk decisions concerning non-financial risks and ESG impacts and (c) decides on escalations to Holding Board. It facilitates lessons learned, initiates focus areas, decides on the implementation of corresponding group-wide measures and acts as a committee for reputational risk and ESG related non-financial risk impact.
The primary responsibility for the identification, escalation and resolution of reputational risk issues resides with the business and the relevant risk type owner supports their resolution. As an example, reputational risk is mitigated by the following measures:

_ Statement of purpose;
_ Code of conduct;
_ Product approval process;
_ Credit policies;
_ pro-active press and investor communication;
_ Outsourcing policy;
_ Conflicts of interest and anti-corruption policy;
_ Responsible Financing Policy

Identified risks are assessed and escalated in line with the risk appetite. The residual risk after mitigation is accepted using the unified method (Non Financial Risk Decision). Reputational risk is also part of the annual risk materiality assessment and the RAS.

Compliance risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities (together, "compliance laws, rules and standards").

GOALS AND PRINCIPLES OF RISK MANAGEMENT

To appropriately address Compliance risk, Erste Group sets the "tone at the top" and oversees management's role in fostering and maintaining a sound corporate and risk culture. Erste Group establishes an appropriate framework for identifying, assessing, measuring and monitoring Compliance risk, including regulatory compliance risk, in line with the institution's size and complexity. In accordance with the RAS non-compliance with regulatory or legal requirements is not eligible to any risk acceptance. More details about Regulatory Compliance Risk are given under following, dedicated chapter.

METHODS AND INSTRUMENTS APPLIED

Erste Group has implemented a comprehensive framework for the identification, control, reporting and management of Compliance risk. The framework and applied controls are reviewed regularly at both Group and local entity levels, reflecting current developments.

Regulatory Compliance Risk

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

Regulatory Compliance Risk is the risk of material financial loss, supervisory sanctions, restrictions or limitations or a loss of reputation, Erste Group or any of its entities may suffer as a result of its failure to comply with regulatory requirements. Amongst others it covers the following content areas: Solvability, Liquidity, Large Exposures, Leverage Ratio, ICAAP/ILAAP, SREP, Internal Governance and ESG.

GOALS AND PRINCIPLES OF RISK MANAGEMENT

Group Regulatory Compliance Function has been established in January 2019 according to § 39 Abs 6 BWG. Group Regulatory Compliance assists senior and top management in preventing, detecting, assessing and mitigating potential regulatory compliance risks by the means of constant monitoring, reporting and escalation if needed. Group Regulatory Compliance provides an appropriate framework for identifying, assessing, measuring and monitoring Regulatory Compliance risk in line with the institution's size and complexity.

METHODS AND INSTRUMENTS APPLIED

The Group Regulatory Compliance framework includes the Regulatory Compliance Control Program with regards to regulatory findings, gaps, and incidents, as well as risk assessment and reporting. The Regulatory Relations Network ensures timely information on and coordination of supervisory activities within the group.

Model risk (credit risk, market risk and operational risk related)

DISCLOSURE REQUIREMENTS Art. 435 (1) (a) (b) (c) (d) CRR

The model risk definition of Erste Group follows the definition as stipulated in Article 3(1) subparagraph (11) of Directive 2013/36/EU (CRD IV), i.e. model risk of Erste Group is defined as the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.

Credit Risk

Erste Group has in place an operating model with a goal to reduce the risk of potential losses and underestimation of own funds requirements as a result of flaws in the development, implementation or use of the models. In order to mitigate such risks, Erste Group has a framework in place that allows to identify, understand and manage its model risk for internal models across its credit risk model landscape.

To support the execution of such operating model, Erste Group has in place a number of policies which regulate its model risk governance, management and oversight. These policies define standards for credit risk model development, monitoring and validation across the model life-cycle, namely, organizational set-up of the area including roles and responsibilities, description of the three-lines of defence principle, execution of the model lifecycle process steps, standards for development of rating models, validation tests and measurement as an evaluation of the models' fit-for-purpose and decision authorities of model-related aspects (e.g. model tiering).

The operating model of Erste Group related to credit risk model governance is centred around the following principles:
- a subsidiarity model for development to balance development effort and to foster local ownership, while retaining central oversight and group-wide methodological approaches;
- a hub-and-spoke model for validation to ensure independence and control of validation standards;
- a dual model for approval reflecting ownership requirements across Erste Group entities;
- a subsidiary model for central model monitoring to centrally execute the group model monitoring methodology (aligned with model validation) and ensure local responsibility for the monitoring outcome.

Operationalization of the operating model considering the above-mentioned principles leads to the strengthening of the steering functions of the Holding, enforcement of common standard across the whole Erste Group and accountability for local model development in subsidiaries.

Market Risk

Erste Group has the Group Liquidity and Market Risk Management (GLMRM) Model Risk Management Policy in place. It describes the framework for model risk management within the market risk area. Among others it provides a definition for models and model risk, describes the model governance, roles and responsibilities, model approval process and treatment of model deficiencies. Apart from group processes the policy also outlines the process for local model development and validation. Furthermore, model validation procedure exists providing additional guidance on minimum validation standards.

To have a comprehensive overview of the market risk models GLMRM has a register of market risk models. This register provides all model relevant information like model owner, validation status, quantitative and qualitative model assessment, and model risk classification. The internal approval body for model changes with respect to internal market risk model and respective validation findings is the Market Risk Committee.

All the applied models within the market risk area do follow the life cycle framework and are under continuous validation, particularly back-testing. The internal market risk model for calculating the capital requirements of market risk shows low model risk as the model performed well, which is reflected in a low number of overshootings (as defined in Article 366 of CRR).

Operational Risk

The Advanced Measurement Approaches (AMA) model is developed, implemented and governed centrally by Holding and the economic capital are allocated to entities based on an allocation key on quarterly basis. The AMA model received ECB approval for a material model change in October 2018, the updated model is first used for the Q4 2018 capital calculation. The new model is developed in compliance with the new RTS on AMA for operational risk and is subject to an independent model validation on a regular basis.