C. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME AND THE BALANCE SHEET OF ERSTE GROUP

1. Net interest income

in EUR million	1-12 16	1-12 17
Interest income		
Financial assets - held for trading	701.6	622.2
Financial assets - at fair value through profit or loss	9.1	13.2
Financial assets - available for sale	423.9	340.1
Financial assets - held to maturity	552.0	531.6
Loans and receivables	4,177.0	4,049.6
Derivatives - hedge accounting, interest rate risk	-5.9	-25.7
Other assets	27.7	28.7
Total interest income	**5,885.3**	**5,559.5**
Interest expenses		
Financial liabilities - held for trading	-433.2	-329.0
Financial liabilities - at fair value through profit or loss	-55.4	-52.4
Financial liabilities measured at amortised cost	-1,369.1	-1,179.3
Derivatives - hedge accounting, interest rate risk	393.2	375.7
Other liabilities	-29.4	-26.5
Total interest expense	**-1,493.9**	**-1,211.4**
Negative interest from financial liabilities	24.9	64.9
Negative interest from financial assets	-41.7	-59.9
Net interest income	**4,374.5**	**4,353.2**

For financial assets or liabilities that are not measured at fair value through profit or loss, the total interest income amounted to EUR 4,949.9 million (2016: EUR 5,180.5 million) and the total interest expense to EUR 1,205.8 million (2016: EUR 1,398.5 million). Net interest income for these items was therefore EUR 3,744.1 million (2016: EUR 3,782.0 million).

Since December 2014, important benchmark interest rates – particularly Euribor – turned negative. As Euro is the functional currency for Erste Group, this development affected interest income and interest expense of the Group. Negative interest from financial liabilities and financial assets are shown in a separate line. The amounts relate to the interbank business and deposits with central banks only.

2. Net fee and commission income

in EUR million	1-12 16	1-12 17
Securities	164.4	195.8
Issues	22.5	32.6
Transfer orders	132.6	156.4
Other	9.2	6.7
Clearing and settlement	6.5	7.2
Asset management	256.4	293.2
Custody	78.2	81.6
Fiduciary transactions	2.8	3.4
Payment services	867.5	874.8
Card business	187.7	186.6
Other	679.8	688.2
Customer resources distributed but not managed	159.4	177.6
Collective investment	15.5	12.3
Insurance products	103.8	120.3
Building society brokerage	17.1	19.7
Foreign exchange transactions	22.7	23.6
Other	0.2	1.7
Structured finance	0.0	0.0
Servicing fees from securitization activities	0.0	0.0
Lending business	176.5	152.5
Guarantees given, guarantees received	59.8	58.0
Loan commitments given, loan commitments received	25.0	24.3
Other lending business	91.7	70.3
Other	71.2	65.4
Net fee and commission income	**1,783.0**	**1,851.6**
Fee and commission income	2,225.6	2,329.4
Fee and commission expenses	-442.6	-477.8

The fee and commission income and expense, which are presented in this table, are not an integral part of the effective interest rate.

3. Dividend income

in EUR million	1-12 16	1-12 17
Financial assets - held for trading	0.6	0.7
Financial assets - at fair value through profit or loss	4.7	2.1
Financial assets - available for sale	39.9	41.0
Dividend income	**45.2**	**43.7**

4. Net trading and fair value result

Net trading result

in EUR million	1-12 16	1-12 17
Securities and derivatives trading	37.2	-90.8
Foreign exchange result	233.8	316.7
Result from hedge accounting	12.8	-3.1
Net trading result	**283.8**	**222.8**

Result from financial assets and liabilities designated at fair value through profit or loss

in EUR million	1-12 16	1-12 17
Result from measurement/repurchase of financial assets designated at fair value through profit or loss	-2.5	10.3
Result from measurement/repurchase of financial liabilities designated at fair value through profit or loss	-9.0	-22.6
Result from financial assets and liabilities designated at fair value through profit or loss	**-11.5**	**-12.3**

The amounts of the fair value changes that are attributable to changes in own credit risk is presented in Note 32 Financial liabilities – at fair value through profit and loss. Additional information to hedge relationships are described in detail in Note 45 Hedge accounting.

5. Rental income from investment properties & other operating leases

in EUR million	1-12 16	1-12 17
Investment properties	93.0	82.6
Other operating leases	114.3	111.6
Rental income from investment properties & other operating leases	**207.2**	**194.2**

6. General administrative expenses

in EUR million	1-12 16	1-12 17
Personnel expenses	**-2,339.3**	**-2,388.6**
Wages and salaries	-1,748.7	-1,815.1
Compulsory social security	-456.3	-458.1
Long-term employee provisions	-18.0	-12.9
Other personnel expenses	-116.3	-102.4
Other administrative expenses	**-1,235.8**	**-1,309.6**
Deposit insurance contribution	-88.8	-82.8
IT expenses	-339.3	-425.9
Expenses for office space	-242.4	-243.4
Office operating expenses	-111.5	-117.2
Advertising/marketing	-162.4	-174.2
Legal and consulting costs	-151.7	-165.7
Sundry administrative expenses	-139.6	-100.3
Depreciation and amortisation	**-453.1**	**-460.0**
Software and other intangible assets	-166.1	-167.8
Owner occupied real estate	-82.0	-76.4
Investment properties	-106.7	-107.0
Customer relationships	-5.1	-8.6
Office furniture and equipment and sundry property and equipment	-93.2	-100.2
General administrative expenses	**-4,028.2**	**-4,158.2**

Personnel expenses include expenses of EUR 44.6 million (2016: EUR 48.1 million) for defined contribution plans, of which EUR 1.2 million (2016: EUR 1.7 million) relate to members of the management board.

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

	1-12 16	1-12 17
Domestic	**15,833**	**16,383**
Erste Group, EB Oesterreich and subsidiaries	8,595	9,185
Haftungsverbund savings banks	7,238	7,198
Abroad	**31,122**	**31,276**
Česká spořitelna Group	10,371	10,248
Banca Comercială Română Group	7,120	7,102
Slovenská sporiteľňa Group	4,247	4,227
Erste Bank Hungary Group	2,902	3,099
Erste Bank Croatia Group	2,935	3,169
Erste Bank Serbia Group	992	1,029
Savings banks subsidiaries	1,251	1,181
Other subsidiaries and foreign branch offices	1,305	1,221
Total	**46,955**	**47,659**

7. Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net

in EUR million	1-12 16	1-12 17
From sale of financial assets available for sale	157.2	147.6
From sale of financial assets held to maturity	3.4	2.7
From sale of loans and receivables	-0.1	4.8
From repurchase of liabilities measured at amortised cost	-12.5	1.3
Gains/losses from disposal of financial assets and liabilities not measured at fair value through profit or loss, net	**148.0**	**156.4**

The carrying amount of investments in equity instruments measured at cost that were sold during the period was EUR 0.9 million (2016: EUR 0.9 million). The resulting gain on sale was EUR 0.6 million (2016: EUR 3.3 million).

8. Net impairment loss on financial assets

in EUR million	1-12 16	1-12 17
Financial assets - available for sale	-10.0	-27.1
Loans and receivables	-184.2	-105.0
Allocation to risk provisions	-2,089.9	-2,069.1
Release of risk provisions	1,720.8	1,851.9
Direct write-offs	-226.2	-80.3
Recoveries recorded directly to the income statement	411.1	192.6
Financial assets - held to maturity	-1.4	0.1
Net impairment loss on financial assets	**-195.7**	**-132.0**

9. Other operating result

in EUR million	1-12 16	1-12 17
Other operating expenses	**-1,030.5**	**-747.9**
Allocation to other provisions	-182.6	-209.0
Allocation to provisions for commitments and guarantees given	-312.4	-329.3
Levies on banking activities	-388.8	-105.7
Banking tax	-351.2	-63.2
Financial transaction tax	-37.6	-42.4
Other taxes	-19.8	-37.7
Recovery and resolution fund	-65.6	-65.8
Impairment of goodwill	-61.3	-0.5
Other operating income	**365.6**	**290.5**
Release of other provisions	84.8	75.4
Release of provisions for commitments and guarantees given	284.4	346.8
Result from properties/movables/other intangible assets other than goodwill	-54.5	-40.6
Result from other operating expenses/income	51.0	-91.1
Other operating result	**-665.0**	**-457.4**

Operating expenses (including repair and maintenance) for ‘Investment properties’ not held for rental income totalled to EUR 0.8 million (2016: EUR 1.0 million). Operating expenses (including repair and maintenance) for ‘Investment properties’ held for rental income totalled to EUR 12.5 million (2016: EUR 13.6 million).

The amount of impairment loss on assets held for sale recognised in the result from other operating expenses/income is EUR 1.0 million (2016: EUR 29.5 million).

In result of properties/moveables/other intangible assets, the impairment losses of property plant and equipment, investment properties, intangible assets and foreclosed assets are included.
The main classes of assets affected by impairment losses can be summarized as:

- the intention to sell fixed assets and accordingly their re-measurement before reclassifying them based on IFRS 5,
- not fully occupied buildings that triggered a lower recoverable amount
- recurring measurement for foreclosed assets at the balance sheet date and
- recurring measurement for internally used items of property at the balance sheet date and
- concessions and other intangibles for which measurable economic benefits are no longer expected in the future

Recovery and Resolution Fund

In the line ‘Result from other operating expenses/income’ contributions to the national resolution funds in amount of EUR 65.8 million (2016: EUR 65.6 million) are disclosed. The contributions are based on the European Recovery and Resolution Directive, which, inter alia, establishes a financing mechanism for the resolution of credit institutions. As a consequence, banks are required to contribute annually to a resolution fund, which in a first step is installed on a national level. According to these regulations, until 31 December 2024 the available financial means of the resolution funds shall reach at least 1% of the amount of covered deposits of all the credit institutions authorized within the European Union. Therefore the resolution funds have to be built over a period of 10 years, during which the contributions shall be spread out as even as possible unil the target level is reached. The application of the Directive in the European member state requires the transposition into national law. In Czech Republic the Recovery and Resolution Directive was implemented into national law in 2016, therefore subsidiaries in Czech Republic paid for the first time contributions to resolution funds in 2016. All the remaining subsidiaries have already paid the corresponding contributions in 2015.

Consequences of a negative reference rate in variable interest rate consumer loans in Austria

With regard to the legal disputes between a consumer organisation and banks in Austria on the consequences of a reference rate (such as the EURIBOR) being negative on the variable interest rate in loans to consumers, the Austrian Supreme Court has held in several judgments published in 2017 that banks are under a duty, in the case of variable-interest consumer loans where there exists no explicit contractual agreement with the customer as to a minimum interest rate, to pass on the negative reference rate to consumers. Based on analysis of the legal situation before these landmark decisions were handed down, Erste Group's Austrian member banks had so far taken the view that they are entitled to floor the interest rate in such consumer loans in EUR at the agreed margin. In mid-July 2017, the Supreme Court has published a decision in a case by a consumer organisation against a competitor bank regarding consumer credits which contain explicitly a flooring of the reference rate EURIBOR at zero in case of the EURIBOR being negative. This ruling established that a bank is not permitted to stipulate in a consumer credit a flooring of the interest rate at the margin if it does not also provide for an upper limit as well. Erste Group's Austrian member banks have typically used such floor clauses without a cap in their variable interest rate credit contracts since 2013 and calculated interest accordingly. Erste Group's Austrian banks have honored in full the impact of the legal clarifications by the Supreme Court and reimbursed its retail customers the amount of interest which was overcharged. Reimbursed interest relating to the interest period until 30 June 2017 amounted to EUR 45 million and was recognised in the line item 'Allocations to other provisions'.

One-time payment according to Stability Tax Act in Austria

In December 2016, an amendment of the Stability Tax Act, which regulates banking levies in Austria, was approved. According to the legislative amendment, the amount of the current banking levies ('banking tax') was reduced, and furthermore a single one-time payment was prescribed. The one-time payment was fully paid in 2017. However according to IFRIC 21, the obligating event for the recognition of a liability to pay the one-time payment already existed in 2016. As a consequence as of 31 December 2016 Erste Group recognised an expense of EUR 200.9 million which is disclosed in the line item 'Levies on banking activities'.

Impairment of goodwill

In Slovakia, the increase of regulatory charges in 2016 – banking tax was not decreased due to an update of the related law during the year 2016 – led to higher future expenses. Further to this, a new law limiting the early repayment fee to be charged by banks led to a massive repricing of the housing loan portfolio in 2016. In addition to the lasting low interest rate environment and the strong competition, this resulted in a decrease of the budgeted results and further to the a partial impairment of the goodwill for Slovenská sporitel'ňa a.s. ('SLSP') in 2016 in amount of EUR 61.3 million.

Provision for litigations in Romania

In addition, a relase of provision is shown in the balance sheet item 'additions / reversals - Other provisions' for risks related to Romanian consumer protection claims Act amounting to EUR 10.1 million. In 2016, EUR 62.3 million were allocated.

10. Taxes on income

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

in EUR million	1-12 16	1-12 17
Current tax expense / income	-363.4	-364.8
current period	-338.3	-399.7
prior period	-25.1	35.0
Deferred tax expense / income	-50.2	-45.3
current period	-39.8	3.9
prior period	-10.4	-49.2
Total	**-413.6**	**-410.1**

The following table reconciles the income taxes reported in the income statement to the pre-tax profit/loss multiplied by the nominal Austrian tax rate.

in EUR million	1-12 16	1-12 17
Pre-tax profit/loss	1,950.4	2,077.8
Income tax expense for the financial year at the domestic statutory tax rate (25%)	-487.6	-519.4
Impact of different foreign tax rates	98.4	115.3
Impact of tax-exempt earnings of investments and other tax-exempt income	108.2	97.9
Tax increases due to non-deductible expenses, additional business tax and similar elements	-88.0	-153.1
Impact on deferred taxes from topics on Group level	-121.0	-9.2
Tax loss carry-forward non-recoverable at the end of the prior period, reducing the current tax expense for the current period	17.1	17.1
Current period's impairment of deferred tax assets recognized in prior periods through profit or loss	-4.2	-3.5
Current period's recognition/reversal of impairment through profit or loss of deferred tax assets non-recoverable at the end of the prior period	145.3	171.7
Impact of current non-recoverable fiscal losses and temporary differences for the year	-40.8	-140.4
Tax income/(expense) not attributable to the reporting period	-35.5	17.8
Tax income/(-expense) out of changes of the tax rate or the imposition of new taxes	-5.5	-0.2
Tax income/(expense) attributable to other effects	0.0	-3.9
Total	**-413.6**	**-410.1**

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

	1-12 16			1-12 17		
in EUR million	Before-tax amount	Tax benefit	Net-of-tax amount	Before-tax amount	Tax benefit	Net-of-tax amount
Available for sale-reserve	-4.6	4.4	-0.2	-184.6	45.2	-139.4
Cash flow hedge-reserve	-13.3	4.4	-8.9	-105.3	22.1	-83.2
Remeasurement of net liability of defined pension plans	-36.1	-9.1	-45.2	-7.4	6.7	-0.6
Currency translation	28.8	0.0	28.8	237.6	0.0	237.6
Other comprehensive income	**-25.2**	**-0.3**	**-25.5**	**-59.6**	**74.0**	**14.4**

Taxes on income within other comprehensive income referring to the positions net liability of defined pension plans and to available for sale-reserve are influenced by the consideration of impairment effects. Besides, the change of deferred taxes on the available for sale-reserve is influenced by differences of tax rates applicable on contrary changes within the available for sale-reserve.

11. Appropriation of profit

For the year 2017, Erste Group Bank AG posted a post-tax profit of EUR 954.5 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2016: EUR 1,111.5 million post-tax profit).

A dividend distribution amounting to EUR 1.20 per share will be proposed at the forthcoming annual general meeting of Erste Group Bank AG (for 2016: EUR 1.0 per share dividend distribution).

12. Cash and cash balances

in EUR million	Dec 16	Dec 17
Cash on hand	3,738	4,303
Cash balances at central banks	13,333	16,466
Other demand deposits	1,282	1,028
Cash and cash balances	**18,353**	**21,796**

A part of 'Cash balances at central banks' represents the mandatory minimum reserve requirement deposits which amounted to EUR 3,598.8 million (2016: EUR 2,552.6 million) at the reporting date.

The mandatory minimum reserve requirement deposit is generated out of certain balance sheet items and this calculated average has to be fulfilled through an extended period of time. Therefore, the mandatory minimum reserve requirement deposits are not subject to any restraints.

13. Derivatives – held for trading

in EUR million	Dec 16 Notional value	Dec 16 Positive fair value	Dec 16 Negative fair value	Dec 17 Notional value	Dec 17 Positive fair value	Dec 17 Negative fair value
Derivatives held in the trading book	**160,050**	**4,364**	**3,754**	**177,692**	**3,433**	**3,063**
Interest rate	119,263	3,940	3,503	115,445	2,929	2,611
Equity	685	25	8	494	5	2
Foreign exchange	39,538	386	225	61,294	496	443
Credit	324	1	5	403	2	7
Commodity	240	13	12	56	0	0
Other	0	0	0	0	0	0
Derivatives held in the banking book	**32,436**	**916**	**1,407**	**30,555**	**795**	**958**
Interest rate	16,347	675	902	15,069	526	731
Equity	2,820	113	76	2,990	127	59
Foreign exchange	12,328	87	418	11,580	102	153
Credit	460	11	10	436	15	14
Commodity	1	0	0	2	0	0
Other	480	31	1	479	25	1
Total gross amounts	**192,486**	**5,281**	**5,161**	**208,247**	**4,228**	**4,021**
Offset		-806	-977		-895	-1,087
Total		**4,475**	**4,185**		**3,333**	**2,934**

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via Clearing Houses. These derivatives and related cash margin balances fulfil the requirements for balance sheet offsetting in accordance with the criteria described in Chapter 'B. Significant accounting policies'.

14. Other trading assets

in EUR million	Dec 16	Dec 17
Equity instruments	80	129
Debt securities	3,128	2,887
General governments	2,322	2,167
Credit institutions	496	507
Other financial corporations	141	41
Non-financial corporations	169	172
Loans and advances	268	0
Other trading assets	**3,476**	**3,016**

15. Financial assets - at fair value through profit or loss

in EUR million	Dec 16	Dec 17
Equity instruments	144	140
Debt securities	333	400
General governments	31	68
Credit institutions	298	281
Other financial corporations	5	52
Non-financial corporations	0	0
Loans and advances	3	3
Financial assets - at fair value through profit or loss	**480**	**543**

16. Financial assets - available for sale

in EUR million	Dec 16	Dec 17
Equity instruments	1,364	1,164
Debt securities	18,522	14,896
General governments	12,778	10,090
Credit institutions	2,478	1,922
Other financial corporations	742	724
Non-financial corporations	2,524	2,161
Financial assets - available for sale	**19,886**	**16,060**

In 2017, valuation models for unquoted equity instruments were developed as part of the IFRS 9 implementation. As a result, equity instruments previously valued at cost were measured at fair value as of 31 December 2017. The valuation at fair value resulted in gains of EUR 11.8 million.

In 2016, the carrying amount of investments in equity instruments measured at cost is EUR 36 million. Of this, Erste Group intends to dispose of investments in carrying amount of EUR 4 million through direct sales.

For further details about equity instruments measeured at cost, see Note 7 Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net.

17. Financial assets – held to maturity

	Gross carrying amount		Collective allowances		Net carrying amount	
in EUR million	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17
General governments	17,700	18,074	-2	-2	17,699	18,072
Credit institutions	1,022	1,279	-1	-1	1,021	1,279
Other financial corporations	177	125	0	0	177	125
Non-financial corporations	375	325	-1	-1	374	325
Total	**19,274**	**19,804**	**-4**	**-3**	**19,270**	**19,800**

18. Securities

	Dec 16					Dec 17				
			Financial assets					Financial assets		
in EUR million	Loans and advances to customers and credit institutions	Trading assets	At fair value through profit or loss	Available for sale	Held to maturity	Loans and advances to customers and credit institutions	Trading assets	At fair value through profit or loss	Available for sale	Held to maturity
Bonds and other interest-bearing securities	**289**	**3,128**	**333**	**18,522**	**19,270**	**146**	**2,887**	**400**	**14,896**	**19,800**
Listed	0	2,630	303	17,230	18,464	0	2,368	387	13,574	18,921
Unlisted	289	498	31	1,292	806	146	519	14	1,323	879
Equity-related securities	**0**	**80**	**144**	**1,328**	**0**	**0**	**129**	**140**	**1,164**	**0**
Listed	0	57	15	771	0	0	99	15	655	0
Unlisted	0	22	129	557	0	0	29	125	509	0
Equity holdings at cost	0	0	0	36	0	0	0	0	0	0
Total	**289**	**3,208**	**477**	**19,886**	**19,270**	**146**	**3,016**	**540**	**16,060**	**19,800**

Investment funds are disclosed within equity-related securities.

Held-to-maturity financial assets include bonds and other interest-bearing securities that are quoted in active markets and are intended to be held to maturity. Securities lending and repurchase transactions are disclosed in Note 42 Transfers of financial assets – repurchase transactions and securities lending.

During the financial year 2017, bond investments with a carrying amount of EUR 182.8 million (2016: EUR 390.8 million) were reclassified from the category Financial assets – held to maturity to Financial assets – available for sale, of which EUR 182.8 million (2016: EUR 389.6 million) was sold up to year-end. In 2016 reclassifications (and subsequent sales) in the amount of EUR 150.4 million were made for investments considering that the related securities were maturing within 3 months from the sale dates.

Consequently, a total net effect of EUR 1.4 million (2016: EUR 3.2 million) was recognised in the income statement for the year. In 2016, a negative effect of EUR 0.1 million was reflected in other comprehensive income from reclassified bonds not yet sold at year-end.

19. Loans and receivables to credit institutions

Loans and receivables to credit institutions

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 31 December 2017				
Debt securities	102	0	-1	101
Central banks	0	0	0	0
Credit institutions	102	0	-1	101
Loans and advances	9,031	-2	-4	9,025
Central banks	5,864	0	0	5,864
Credit institutions	3,167	-2	-4	3,161
Total	**9,133**	**-2**	**-5**	**9,126**
As of 31 December 2016				
Debt securities	199	0	-1	198
Central banks	0	0	0	0
Credit institutions	199	0	-1	198
Loans and advances	3,279	-2	-5	3,272
Central banks	666	0	0	665
Credit institutions	2,614	-2	-5	2,606
Total	**3,478**	**-2**	**-6**	**3,469**

In the balance sheet, loans and receivables to credit institutions are disclosed with the carrying amount net of any impairments.

Allowances for loans and receivables to credit institutions

in EUR million	Dec 16	Allocations	Use	Releases	Interest income from impaired loans	Exchange rate and other changes (+/-)	Dec 17	Amounts written off	Recoveries of amounts previously written off
Specific allowances	**-2**	**0**	**0**	**0**	**0**	**0**	**-2**	**-5**	**5**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and advances	-2	0	0	0	0	0	-2	-5	5
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	0	0	0	-2	-5	5
Collective allowances	**-5**	**-9**	**0**	**9**	**0**	**1**	**-4**	**0**	**0**
Debt securities	-1	-1	0	1	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-1	-1	0	1	0	0	-1	0	0
Loans and advances	-5	-8	0	8	0	1	-3	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-5	-8	0	8	0	1	-4	0	0
Total	**-7**	**-10**	**0**	**10**	**0**	**1**	**-6**	**-5**	**5**
	Dec 15						**Dec 16**		
Specific allowances	**-8**	**0**	**7**	**0**	**0**	**-1**	**-2**	**-12**	**5**
Debt securities	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0	0
Loans and advances	-8	0	7	0	0	-1	-2	-12	5
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-8	0	7	0	0	-1	-2	-12	5
Collective allowances	**-5**	**-7**	**0**	**6**	**0**	**0**	**-5**	**0**	**0**
Debt securities	-2	0	0	1	0	0	-1	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-2	0	0	1	0	0	-1	0	0
Loans and advances	-3	-7	0	6	0	0	-5	0	0
Central banks	0	0	0	0	0	0	0	0	0
Credit institutions	-4	-7	0	6	0	0	-5	0	0
Total	**-13**	**-8**	**7**	**7**	**0**	**-1**	**-7**	**-12**	**5**

20. Loans and receivables to customers

Loans and receivables to customers

in EUR million	Gross carrying amount	Specific allowances	Collective allowances	Net carrying amount
As of 31 December 2017				
Debt securities with customers	47	0	-1	46
General governments	8	0	0	7
Other financial corporations	0	0	0	0
Non-financial corporations	39	0	-1	38
Loans and advances to customers	143,462	-3,272	-704	139,487
General governments	7,001	-2	-14	6,985
Other financial corporations	3,698	-105	-17	3,576
Non-financial corporations	62,594	-1,767	-413	60,414
Households	70,169	-1,398	-260	68,511
Total	**143,509**	**-3,272**	**-705**	**139,532**
As of 31 December 2016				
Debt securities with customers	92	0	-1	91
General governments	58	0	0	58
Other financial corporations	0	0	0	0
Non-financial corporations	34	0	-1	33
Loans and advances to customers	135,175	-3,887	-725	130,564
General governments	7,350	-6	-13	7,332
Other financial corporations	3,643	-94	-23	3,526
Non-financial corporations	58,273	-2,207	-401	55,664
Households	65,909	-1,580	-288	64,042
Total	**135,267**	**-3,887**	**-726**	**130,654**

In the balance sheet, loans and receivables to customers are disclosed with the carrying amount net of any impairments.

Allowances for loans and receivables to customers

in EUR million	Dec 16	Allocations	Use	Releases	Interest income from impaired loans	Exchange rate and other changes (+/-)	Dec 17	Amounts written off	Recoveries of amounts previously written off
Specific allowances	**-3,887**	**-1,503**	**816**	**1,270**	**70**	**-38**	**-3,272**	**-76**	**187**
Debt securities with customers	0	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0
Loans and advances to customers	-3,887	-1,503	816	1,270	70	-38	-3,272	-76	187
General governments	-6	0	0	4	0	0	-2	0	0
Other financial corporations	-94	-48	11	20	2	4	-105	0	0
Non-financial corporations	-2,207	-815	530	705	33	-13	-1,767	-53	119
Households	-1,580	-640	275	540	34	-28	-1,398	-23	68
Collective allowances	**-726**	**-557**	**0**	**572**	**0**	**6**	**-705**	**0**	**0**
Debt securities with customers	-1	0	0	0	0	0	-1	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-1	0	0	0	0	0	-1	0	0
Loans and advances to customers	-725	-556	0	572	0	5	-704	0	0
General governments	-13	-10	0	9	0	0	-14	0	0
Other financial corporations	-23	-16	0	20	0	2	-17	0	0
Non-financial corporations	-401	-284	0	275	0	-2	-413	0	0
Households	-288	-246	0	267	0	7	-260	0	0
Total	**-4,613**	**-2,060**	**816**	**1,842**	**70**	**-32**	**-3,977**	**-76**	**187**

	Dec 15						Dec 16		
Specific allowances	**-5,276**	**-1,596**	**1,671**	**1,222**	**106**	**-14**	**-3,887**	**-215**	**406**
Debt securities with customers	-14	0	12	2	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	-14	0	12	2	0	0	0	0	0
Loans and advances to customers	-5,262	-1,596	1,660	1,220	106	-14	-3,887	-215	406
General governments	-7	-1	0	3	0	-1	-6	0	0
Other financial corporations	-154	-31	57	21	3	10	-94	0	0
Non-financial corporations	-3,195	-907	1,159	672	50	14	-2,207	-148	233
Households	-1,907	-657	444	525	53	-38	-1,580	-67	172
Collective allowances	**-733**	**-486**	**0**	**492**	**0**	**2**	**-726**	**0**	**0**
Debt securities with customers	-2	-3	0	4	0	0	-1	0	0
General governments	-2	0	0	1	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	-3	0	3	0	0	-1	0	0
Loans and advances to customers	-731	-483	0	488	0	2	-725	0	0
General governments	-14	-11	0	13	0	-1	-13	0	0
Other financial corporations	-26	-19	0	21	0	1	-23	0	0
Non-financial corporations	-424	-214	0	231	0	5	-401	0	0
Households	-268	-239	0	223	0	-4	-288	0	0
Total	**-6,009**	**-2,082**	**1,671**	**1,714**	**106**	**-12**	**-4,613**	**-215**	**406**

21. Impairment loss for financial instruments

The following table shows impairment losses according to the respective financial instruments. The disclosed amounts comprise allocations of risk provisions and provisions as well as direct write off expenses. However, releases of risk provisions and provisions together with recoveries on written-off loans are not included.

in EUR million	Dec 16	Dec 17	Position in Statement of Comprehensive Income
Allocations to risk provisions	2,090	2,069	Net impairment loss on financial assets
Direct write offs	226	80	Net impairment loss on financial assets
Impairment of loans and advances to credit institutions and customers	**2,316**	**2,149**	**Net impairment loss on financial assets**
Financial assets - available for sale	10	27	Net impairment loss on financial assets
Financial assets - held to maturity	2	1	Net impairment loss on financial assets
Contingent credit risk liabilities	312	329	Other operating result (Note 9)
Total	**2,640**	**2,507**	

The amount of contingent credit risk liabilities for 2016 was corrected.

22. Derivatives – hedge accounting

	Dec 16			Dec 17		
in EUR million	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**22,378**	**1,980**	**586**	**19,715**	**1,373**	**414**
Interest rate	22,378	1,980	586	19,715	1,373	414
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Cash flow hedges	**987**	**14**	**3**	**2,288**	**10**	**67**
Interest rate	987	14	3	2,288	10	67
Equity	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**23,365**	**1,994**	**589**	**22,003**	**1,383**	**480**
Offset		-570	-116		-498	-120
Total		**1,424**	**473**		**884**	**360**

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via Clearing Houses. These derivatives and related cash margin balances fulfil the requirements for balance sheet offsetting in accordance with the criteria described in chapter 'B. Significant accounting policies'.

23. Equity method investments

in EUR million	Dec 16	Dec 17
Credit institutions	84	85
Financial institutions	73	77
Non-credit institutions	36	36
Total	**193**	**198**

The table below shows the aggregated financial information of companies accounted for using the equity method:

in EUR million	Dec 16	Dec 17
Total assets	4,569	4,818
Total liabilities	4,042	4,267
Income	224	266
Profit/loss	30	49

None of Erste Group's investments accounted for using the equity method published price quotations.

Significant equity method investments where the Erste Group has strategic interest

in EUR million	Dec 16 Prvá stavebná	Dec 16 Global Payments s.r.o.	Dec 16 VBV - Betriebliche Altersvorsorge AG	Dec 17 Prvá stavebná	Dec 17 Global Payments s.r.o.	Dec 17 VBV - Betriebliche Altersvorsorge AG
Country of Incorporation	Slovakia	Czech Republic	Austria	Slovakia	Czech Republic	Austria
Place of business	Slovakia	Czech Republic	Austria	Slovakia	Czech Republic	Austria
Main business activity	Financing building society	Payment services	Insurance	Financing building society	Payment services	Insurance
Ownership% held	35%	49%	30%	35%	49%	30%
Voting rights held%	35%	49%	27%	35%	49%	27%
IFRS Classification (JV/A)	Associate	Associate	Associate	Associate	Associate	Associate
Reporting currency	Euro	Czech crowns	Euro	Euro	Czech crowns	Euro
Dividend income received	0	0	6	0	0	6
Impairment loss recognized (cumulative basis)	0	0	0	0	0	0
Impairment loss recognized (for the reporting year)	0	0	0	0	0	0
Loan commitments, financial guarantees and other commitments given	0	0	0	0	0	0
Investee's financial information for the reporting year						
Cash and cash balances	0	2	9	0	2	4
Other current assets	602	51	8	566	53	9
Non-current assets	2,178	60	40	2,377	63	45
Current liabilities	732	54	0	464	58	0
Non-current liabilities	1,815	0	2	2,244	0	2
Operating Income	69	14	2	68	27	2
Post-tax result from continuing operations	17	1	6	20	1	6
Post-tax result from discontinued operations	0	0	0	0	0	0
Other comprehensive income	3	0	0	1	0	0
Total comprehensive income	19	1	6	21	1	6
Depreciation and amortization	-4	-4	0	-4	-8	0
Interest income	105	0	0	99	0	0
Interest expense	-50	0	0	-45	0	0
Tax expense/income	-6	-1	0	-5	-1	0
Reconciliation of investee's net assets against equity investment's carrying amount						
Net assets attributable to Erste Group	81	28	16	82	30	17
Carrying goodwill included in the cost of investment	0	0	0	0	0	0
Impairments (cumulative basis)	0	0	0	0	0	0
Carrying amount	81	28	16	82	30	17

The classification of current and non-current financial assets and liabilities are based on the expected remaining maturities of assets and liabilities.

Insignificant equity method investments

in EUR million	Dec 16 Associates	Dec 16 Joint Ventures	Dec 17 Associates	Dec 17 Joint Ventures
Investees' aggregated key financial information				
Post-tax result from continuing operations	8	0	6	16
Post-tax result from discontinued operations	0	0	0	0
Other comprehensive income	0	0	0	0
Total comprehensive income	**8**	**0**	**6**	**16**
Loan commitments, financial guarantees and other commitments given	**0**	**0**	**0**	**0**
Carrying amount	**60**	**7**	**30**	**40**

24. Unconsolidated structured entities

Erste Group uses structured entities in the course of its business activity. The definition of structured entities as well as of interests in structured entities is outlined in chapter 'B. Significant Accounting Policies'.

Investment funds

Direct investments in own-managed and third-party-managed investment funds as well as management fees earned for the management of investment funds by subsidiaries of Erste Group are classified as interests unconsolidated structured entities, if they are not consolidated.

Direct investments in investment funds. Erste Group is invested in several mutual funds as well as in private investment funds which are registered in Austria, Central- and Eastern Europe or other countries. The majority of those funds is managed by subsidiaries of Erste Group, the smaller part of the funds being managed by independent third parties. The investments in funds held by Erste Group do not constitute material investments (basically below 20%) and mostly take the form of redeemable fund unit investments. They are measured at fair value on the Group's balance sheet, and are disclosed as equity instruments either under line item 'Financial assets - available for sale' or 'Financial assets - held for trading'.

Management Fees. Moreover, Erste Group earnes management fees for providing investment management services as fund manager (by subsidiaries of Erste Group); meaning for making the investment decision for the funds under management of the relevant investment fund.

Beside the management fees for the services as fund manager Erste Group also receives dividend income for their investments in fund units. On the other side stand expenses for the administration of investment funds and fees for the business activity of investment funds, especially custodian fees and fees for securities trading transactions. In the normal course of business activity Erste Group enters into derivative transactions with own-managed unconsolidated investment funds. Moreover, own-managed unconsolidated investment funds are also invested – over different time periods - in debt securities issued by or deposits of Erste Group. In restricted cases Erste Group offers capital guarantees for own-managed unconsolidated investment funds.

The magnitude of the Group's equity interests in unconsolidated investment funds may vary in the future depending on the future performance of their respective underlying assets, relevant market circumstances and opportunities, or regulatory requirements.

Securitization vehicles

Erste Group is also involved as an investor in a number of unconsolidated securitization vehicles sponsored and managed by unrelated third parties in foreign jurisdictions. These interests are asset backed securities with the purpose to securitize certain assets, usually loan receivables, into tradeable interest-bearing securities. The securitization vehicles are financed by the issuance of different tranches of asset backed securities. Investors of those securities cover the default risk of the underlying assets. Erste Group is invested in tranches with investment grade, which are all classified as available for sale and therefore measured at fair value on the balance sheet. All of the investments in unconsolidated securitizations relates to bond investments maturing beyond 1 year. At year end the remaining, weighted average maturity of those debt securities is slightly more than 11.8 years. The interests in securitization vehicles include Collateralized Mortgage Obligations (CMO) and securitized student loans from the US, which will be disposed in the next years.

Others

To a lesser extent, Erste Group is also exposed (notably as lender) to unconsolidated structured entities having other business activities, primarily real estate project-based.

Maximum exposure to unconsolidated structured entities

Erste Group's maximum exposure to losses from its interests in unconsolidated structured entities is equal to the total fair value of its fund units, bond investments, trading derivative assets, provided loans and off-balance sheet commitments and guarantees as of the respective balance sheet date. The maximum exposure corresponds to the carrying amounts after risk provisions as of the balance sheet date. For off-balance sheet loan commitments and guarantees the maximum exposure corresponds to the respective nominal value.

The table below summarises the Group's business relations to unconsolidated structured entities per balance sheet line item, business activity and business location. The summary includes the assets identified as impaired at year-end, as well as related net impairment losses/gains incurred during the year. The carrying amounts of the exposures summarized below are mostly referring to assets already measured at fair value in the balance sheet of the Group. The carrying amounts of the remaining exposures (notably 'Loans and receivables') are materially similar to their fair values.

Dec 17	Investment Funds			Securitization vehicles				
in EUR million	Own-managed	Third-party managed	Total	Own-managed	Third-party managed	Total	Other	Total
Assets								
Equity instruments, thereof:	660	73	732	0	0	0	0	732
Available for sale	522	61	583	0	0	0	0	583
Fair value through profit or loss	137	12	149	0	0	0	0	149
Debt securities, thereof:	0	0	0	0	119	119	0	119
Available for sale	0	0	0	0	119	119	0	119
Fair value through profit or loss	0	0	0	0	0	0	0	0
Held to maturity	0	0	0	0	0	0	0	0
Loans and receivables	5	0	5	0	0	0	115	121
Trading derivatives	7	0	7	0	0	0	1	8
Total assets	**672**	**73**	**745**	**0**	**119**	**119**	**116**	**980**
thereof impaired	27	0	27	0	0	0	0	27
Net Impairment (losses)/gains for the year	0	0	0	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	628	15	643	0	0	0	116	759
Central and Eastern Europe	45	1	45	0	0	0	0	45
Other jurisdictions	0	57	57	0	119	119	0	176
	672	**73**	**745**	**0**	**119**	**119**	**116**	**980**
Liabilities								
Equity Instruments	115	0	115	0	0	0	7	122
Debt securities issued	269	0	269	0	0	0	3	272
Deposits	1,625	0	1,625	0	0	0	32	1,657
Trading derivatives	56	0	56	0	0	0	0	56
Total liabilities	**2,065**	**0**	**2,065**	**0**	**0**	**0**	**42**	**2,107**
Off balance-sheet commitments	**111**	**0**	**111**	**0**	**0**	**0**	**5**	**116**

Dec 16	Investment Funds			Securitization vehicles				
in EUR million	Own-managed	Third-party managed	Total	Own-managed	Third-party managed	Total	Other	Total
Assets								
Equity instruments, thereof:	698	114	812	0	0	0	0	812
Available for sale	549	103	652	0	0	0	0	652
Fair value through profit or loss	149	11	160	0	0	0	0	160
Debt securities, thereof:	0	0	0	0	340	340	0	340
Available for sale	0	0	0	0	340	340	0	340
Fair value through profit or loss	0	0	0	0	0	0	0	0
Held to maturity	0	0	0	0	0	0	0	0
Loans and receivables	26	0	26	0	0	0	81	108
Trading derivatives	69	0	69	0	0	0	2	72
Total assets	**793**	**114**	**907**	**0**	**340**	**340**	**84**	**1,331**
thereof impaired	9	5	14	0	0	0	0	14
Net Impairment (losses)/gains for the year	0	0	0	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	739	24	763	0	0	0	84	847
Central and Eastern Europe	53	16	69	0	0	0	0	69
Other jurisdictions	0	74	74	0	340	340	0	414
	793	**114**	**907**	**0**	**340**	**340**	**84**	**1,331**
Liabilities								
Equity Instruments	145	0	145	0	0	0	0	145
Debt securities issued	299	0	299	0	0	0	3	302
Deposits	1,015	0	1,015	0	0	0	15	1,030
Trading derivatives	14	0	14	0	0	0	0	14
Total liabilities	**1,472**	**0**	**1,472**	**0**	**0**	**0**	**19**	**1,491**
Off balance-sheet commitments	**0**	**0**	**0**	**0**	**0**	**0**	**5**	**5**

25. Non controlling interest

Dec 17		Haftungsverbund Savings Banks, thereof:		
in EUR million	Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Country of Incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	Euro	Euro	Euro	Euro
Dividends paid to equity holders of the parent	21	4	4	1
Net result attributable to non-controlling interests	273	32	74	8
Accumulated NCI	3,916	491	900	209
Subsidiary-level stand-alone key financial information				
Current assets	16,285	4,172	2,603	709
Non-current assets	46,307	7,836	10,590	3,332
Current liabilities	39,935	7,997	6,729	2,006
Non-current liabilities	16,865	3,081	5,179	1,716
Operating income	1,553	293	334	100
Profit or loss from continuing operations	402	52	143	13
Total comprehensive income	**477**	**71**	**147**	**26**

Dec 16		Haftungsverbund Savings Banks, thereof:		
in EUR million	Total	Sparkasse Oberösterreich	Sparkasse Steiermark	Sparkasse Kärnten
Country of Incorporation	Austria	Austria	Austria	Austria
Place of business	Austria	Austria	Austria	Austria
Main business activity	Banking	Banking	Banking	Banking
Ownership% held by NCI	50.1%-100%	60%	75%	75%
Reporting currency	Euro	Euro	Euro	Euro
Dividends paid to equity holders of the parent	46	4	4	1
Net result attributable to non-controlling interests	180	15	51	8
Accumulated NCI	3,691	462	824	205
Subsidiary-level stand-alone key financial information				
Current assets	14,446	4,119	2,192	563
Non-current assets	46,158	7,930	10,334	3,334
Current liabilities	37,145	8,364	6,328	1,756
Non-current liabilities	18,136	2,819	5,056	1,847
Operating income	1,525	283	311	108
Profit or loss from continuing operations	254	27	76	18
Total comprehensive income	**298**	**24**	**73**	**21**

26. Property, equipment and Investment properties

a) At cost

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/ other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
	Property and equipment - acquisition and production costs					
Balance as of 1 January 2016	**2,791**	**1,052**	**624**	**581**	**5,049**	**1,183**
Additions in current year (+)	85	117	61	174	437	164
Disposals (-)	-114	-117	-88	-110	-429	-186
Acquisition of subsidiaries (+)	-1	1	0	0	0	416
Disposal of subsidiaries (-)	0	0	0	-8	-8	-170
Reclassification (+/-)	-7	7	1	-7	-6	8
Assets held for sale (-)	62	0	0	0	62	-34
Currency translation (+/-)	1	0	-1	7	6	1
Balance as of 31 December 2016	**2,817**	**1,061**	**597**	**638**	**5,112**	**1,383**
Additions (+)	87	45	56	114	302	94
Disposals (-)	-94	-53	-47	-111	-305	-38
Acquisition of subsidiaries (+)	0	0	0	0	1	0
Disposal of subsidiaries (-)	0	0	0	0	0	0
Reclassification (+/-)	-41	55	-56	-2	-44	41
Assets held for sale (-)	-6	-7	0	0	-13	13
Currency translation (+/-)	38	8	3	-31	17	8
Balance as of 31 December 2017	**2,802**	**1,109**	**553**	**606**	**5,070**	**1,501**

b) Accumulated depreciation

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/ other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
	Property and equipment - accumulated depreciation					
Balance as of 1 January 2016	**-1,123**	**-802**	**-510**	**-212**	**-2,647**	**-429**
Amortisation and depreciation (-)	-81	-50	-45	-71	-247	-23
Disposals (+)	77	74	84	70	305	46
Acquisition of subsidiaries (-)	0	-1	0	0	-1	-42
Disposal of subsidiaries (+)	0	0	0	0	0	71
Impairment (-)	-53	0	0	0	-53	-3
Reversal of impairment (+)	2	0	0	0	2	7
Reclassification (+/-)	0	1	1	5	7	-6
Assets held for sale (+)	0	0	0	0	0	20
Currency translation (+/-)	0	0	2	-3	-2	0
Balance as of 31 December 2016	**-1,179**	**-778**	**-468**	**-211**	**-2,636**	**-360**
Amortisation and depreciation (-)	-78	-57	-47	-85	-267	-21
Disposals (+)	76	60	48	59	244	11
Acquisition of subsidiaries (-)	0	0	0	0	-1	0
Disposal of subsidiaries (+)	0	0	0	0	0	0
Impairment (-)	-34	0	0	-1	-35	0
Reversal of impairment (+)	4	0	0	0	4	2
Reclassification (+/-)	14	-46	50	0	18	-15
Assets held for sale (+)	4	4	0	0	9	-3
Currency translation (+/-)	-24	-6	-2	12	-20	-3
Balance as of 31 December 2017	**-1,217**	**-822**	**-420**	**-225**	**-2,684**	**-390**

c) Carrying amounts

in EUR million	Land and buildings (used by the Group)	Office and plant equipment/ other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
	Property and equipment - carrying amounts					
Balance as of 31 December 2016	**1,638**	**283**	**129**	**427**	**2,477**	**1,023**
Balance as of 31 December 2017	**1,585**	**286**	**134**	**382**	**2,387**	**1,112**

The carrying amount of investment properties includes investment properties under operating leases in the amount of EUR 225.7 million (2016: EUR 177.7 million).

In the reporting period, borrowing costs of EUR 0.7 million (2016: EUR 1.3 million) were capitalised. The related interest rate was 2.0% (2016: from 0.1%).

The carrying amount of expenditures recognised in the items fixed assets and investment properties during their construction are EUR 29.5 million (2016: EUR 26.4 million). The contractual commitments for purchase of fixed assets are EUR 9.7 million (2016: EUR 11.5 million).

For further details about fair value of investment properties, see Note 47.

In 2017, land and buildings were impaired in the amount of EUR 26.7 million (2016: EUR 51.4 million) in Ceská spořitelna a.s.. As of 31 December 2017, the recoverable amount of these impaired assets amounted to EUR 20.4 million (2016: EUR 10.7 million).

27. Intangible assets

a) At cost

	Intangible assets - acquisition and production costs						
in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 1 January 2016	**3,912**	**769**	**288**	**1,356**	**498**	**396**	**7,219**
Additions in current year (+)	0	0	0	136	45	9	190
Disposals (-)	0	-24	-2	-48	-54	-15	-142
Acquisition of subsidiaries (+)	0	0	0	0	0	0	0
Disposal of subsidiaries (-)	0	0	0	0	5	0	5
Reclassification (+/-)	0	0	0	-20	33	-16	-2
Assets held for sale (-)	0	0	0	0	0	0	0
Currency translation (+/-)	-6	-1	-1	2	0	0	-7
Balance as of 31 December 2016	**3,905**	**744**	**285**	**1,427**	**527**	**375**	**7,263**
Additions (+)	18	28	0	137	139	14	334
Disposals (-)	0	0	0	-53	-27	-95	-175
Acquisition of subsidiaries (+)	0	0	0	0	0	0	0
Disposal of subsidiaries (-)	0	0	0	0	0	0	0
Reclassification (+/-)	0	0	0	-16	9	7	0
Assets held for sale (-)	0	0	0	-1	0	0	-1
Exchange-rate changes (+/-)	-54	-15	-7	23	0	11	-42
Balance as of 31 December 2017	**3,869**	**756**	**278**	**1,517**	**648**	**312**	**7,379**

b) Accumulated depreciation

	Intangible assets - accumulated depreciation						
in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Balance as of 1 January 2016	**-3,142**	**-712**	**-288**	**-994**	**-338**	**-280**	**-5,753**
Amortisation and depreciation (-)	0	-5	0	-102	-48	-19	-174
Disposals (+)	0	24	2	48	41	12	127
Acquisition of subsidiaries (-)	0	0	0	-3	0	0	-3
Disposal of subsidiaries (+)	0	0	0	5	-5	0	0
Impairment (-)	-61	0	0	-4	-9	0	-74
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassification (+/-)	0	0	0	-5	-19	24	-1
Assets held for sale (+)	0	0	0	0	0	0	0
Currency translation (+/-)	6	2	1	-1	0	0	8
Balance as of 31 December 2016	**-3,197**	**-692**	**-285**	**-1,057**	**-378**	**-263**	**-5,872**
Amortisation and depreciation (-)	0	-9	0	-105	-46	-18	-178
Disposals (+)	-15	0	0	43	54	94	176
Acquisition of subsidiaries (-)	0	0	0	0	0	0	0
Disposal of subsidiaries (+)	0	0	0	0	0	0	0
Impairment (-)	0	0	0	-12	-20	0	-31
Reversal of impairment (+)	0	0	0	0	0	0	0
Reclassification (+/-)	0	0	0	13	-9	-4	0
Assets held for sale (+)	0	0	0	0	0	0	0
Currency translation (+/-)	54	15	7	-17	0	-10	50
Balance as of 31 December 2017	**-3,156**	**-686**	**-278**	**-1,135**	**-398**	**-202**	**-5,855**

c) Carrying amounts

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
	Intangible assets - carrying amounts						
Balance as of 31 December 2016	**710**	**51**	**0**	**369**	**148**	**112**	**1,390**
Balance as of 31 December 2017	**712**	**70**	**0**	**382**	**249**	**110**	**1,524**

The contractual commitments for the purchase of intangible assets amounted to EUR 0.8 million (2016: EUR 3.7 million).

As of 31 December 2017 the customer relationship Ringturm Kapitalanlagegesellschaft m.b.H. amounted to EUR 44.5 million (2016: EUR 48.7 million). The remaining amortization period of the customer relationship in Ringturm Kapitalanlagegesellschaft m.b.H. was 10.8 years.

Development of goodwill

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, for the financial years 2017 and 2016 of the respective subsidiaries (cash generating units, CGU) are shown by country of domicile of the relevant subsidiary in the following table.

in EUR million	Romania	Czech Republic	Slovakia	Hungary	Croatia	Austria	Other countries	Total
Balance as of 1 January 2016	**0**	**544**	**226**	**0**	**0**	**0**	**0**	**771**
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	0	0	-61	0	0	0	0	-61
Exchange rate changes	0	0	0	0	0	0	0	0
Balance as of 31 December 2016	**0**	**544**	**165**	**0**	**0**	**0**	**0**	**710**
Gross amount of goodwill	2,251	544	226	313	114	363	120	3,931
Cumulative impairment	-2,251	0	-61	-313	-114	-363	-120	-3,222
Balance as of 1 January 2017	**0**	**544**	**165**	**0**	**0**	**0**	**0**	**710**
Acquisitions	0	2	0	0	0	0	0	2
Disposals	0	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0	0	0
Exchange rate changes	0	0	0	0	0	0	0	0
Balance as of 31 December 2017	**0**	**546**	**165**	**0**	**0**	**0**	**0**	**712**
Gross amount of goodwill	2,251	546	226	313	114	363	120	3,933
Cumulative impairment	-2,251	0	-61	-313	-114	-363	-120	-3,222

The gross amounts of the goodwill elements are the amounts as determined at the time of the related acquisitions, less accumulated impairments until 31 December 2017, including the effects of exchange rate changes.

The goodwill elements having a carrying amount of zero as of 31 December 2016 have been assessed for objective evidence of impairment on a quarterly basis throughout the year 2017. Due to the lack of objective evidence, the goodwill impairment assessment for the year 2017 addressed the following subsidiaries (cash generating units):

- Česká spořitelna a.s. (‘CSAS’)
- Slovenská sporiteľňa a.s. (‘SLSP’)

The analysis per subsidiary (cash generating unit) of both the carrying goodwill as at 31 December 2017 and of the impairment losses recognized for the year 2017 is presented in the table below. The table also summarizes the key elements of the approach taken in designing and performing the goodwill impairment test as at the end of 2017.

	CSAS	SLSP
Carrying amount of goodwill as of 1 January 2017	544	165
Effect of exchange rate changes for the year 2017	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)	
Key interest input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium	
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 1.33% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2017	
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growth Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).	
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2017.	
Description of approach to determining values assigned to market risk premium	Set at 7.0 % throughout relevant Group's CGUs based on published evaluations by the Austrian Chamber of Commerce (Kammer der Steuerberater und Wirtschaftsprüfer).	
Period of cash flow projection (years)	5 years (2018 - 2022); extrapolation to perpetuity based on Terminal Growth Rate	
Discount rate applied to cash flow projections (pre-tax)	12.6%	13.3%
The value assigned to β Factor	1.16	1.16
Amount of goodwill impairment loss recognised in profit or loss for the year 2017	0	0
Post-impairment carrying amount of goodwill as of 31 December 2017	544	165

In respect of the assessed cash generating units located outside the euro-zone, an inflation differential has been considered in the determination of the discount rates applicable to the related 2018-2022 cash flow projections.

The comparative summary at subsidiary-level as of 31 December 2016 is presented below:

	CSAS	SLSP
Carrying amount of goodwill as of 1 January 2016	544	226
Effect of exchange rate changes for the year 2016	0	0
Basis upon which recoverable amount has been determined	Value in Use (discounted cash flow model based)	
Key interest input parameters into the discounted cash flow model	Risk Free Rate, Terminal Growth Rate, β Factor, Market Risk Premium	
Description of approach to determining value assigned to risk free rate	Risk Free Rate has been set at 0.90% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2016	
Description of approach to determining values assigned to terminal growth rate	For non-Austrian (CEE) CGUs: Terminal Growth Rate has been equated to 3.00%, representing the recommended cap level for the Terminal Growh Rate, as per the report ESMA/2013/2 'European Enforcers Review of Impairment of Goodwill and Other Intangible Assets in the IFRS Financial Statements' published by the European Securities and Markets Authority (ESMA).	
Description of approach to determining values assigned to β factor	Set as the median value of a group of levered β factors attributable to a sample of 'peer banks' representative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2016.	
Description of approach to determining values assigned to market risk premium	Set at 7.0% throughout relevant Group's CGUs based on publicly available evaluations by the Austrian Chamber of Commerce (Kammer der Wirtschaftstreuhänder).	
Period of cash flow projection (years)	5 years (2017 - 2021); extrapolation to perpetuity based on Terminal Growth Rate	
Discount rate applied to cash flow projections (pre-tax)	12.6%	12.9%
The value assigned to β Factor	1.16	1.16
Amount of goodwill impairment loss recognised in profit or loss for the year 2016	0	-61
Post-impairment carrying amount of goodwill as of 31 December 2016	544	165

In connection with those tested cash-generating units for which no goodwill impairment loss was determined as of 31 December 2017, the table below summarizes the outcome of the sensitivity analysis performed to determine by how much the key input parameters into the applied discounted cash flow models would need to vary in order to cause the unit's calculated recoverable amount to equal its related carrying amount:

Growth rates	SLSP	CSAS
Amount by which recoverable amount exceeds/fall short the carrying amount	608	2,088
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	257	312
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-919	-1263
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.365	0.445
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	222	269

As of 31 December 2016, the comparative sensitivity analysis figures were as follows:

Growth rates	CSAS
Amount by which recoverable amount exceeds/fall short the carrying amount	1,435
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	229
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-794
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.327
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	197

28. Tax assets and liabilities

In the following table the major components of deferred tax assets and deferred tax liabilities are shown.

	Tax assets		Tax liabilities		Net variance 2017		
in EUR million	2017	2016	2017	2016	Total	Through profit or loss	Through other comprehensive income
Temporary differences relate to the following items:							
Financial assets and liabilities - held for trading	330	371	-239	-281	1	1	0
Loans and advances to credit institutions and customers	210	259	-30	-109	32	32	0
Financial assets - available for sale	28	39	-248	-319	60	15	45
Derivatives - hedge accounting	77	100	-209	-342	109	87	22
Property and equipment (useful life in tax law different)	34	50	-27	-40	-2	-2	0
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	212	384	-8	-331	152	152	0
Financial liabilities measured at amortised cost (deposits and debt securities issued)	62	104	-52	-42	-52	-52	0
Long-term employee provisions (tax valuation different)	93	119	-4	-7	-23	-23	0
Other provisions (tax valuation different)	71	84	-10	-13	-10	-10	0
Tax loss carry-forward	56	77	0	0	-21	-21	0
Customer relationships, brands and other intangibles	75	15	-67	-47	39	39	0
Other	297	685	-128	-111	-406	-406	0
Impairment	-330	-479	0	0	150	143	7
Effect of netting gross deferred tax position	-958	-1,574	958	1,574	0	0	0
Total deferred taxes	**258**	**234**	**-61**	**-68**	**29**	**-45**	**74**
Current taxes	**108**	**124**	**-101**	**-66**	**-365**	**-365**	**0**
Total taxes	**366**	**358**	**-163**	**-133**	**-336**	**-410**	**74**

The deferred tax assets and liabilities are presented prior to subsidiary-level balance-sheet netting of attributable gross deferred tax assets and gross deferred tax liabilities. The amounts shown in the table are gross amounts before impairment consideration except for the position deferred tax assets resulting from tax loss carry-forward. The remainder of the impairment recordings is considered in the position 'Impairment' in the table. The position 'Other' comprises all deferred tax positions not being shown as separate positions in the table above.

Out of the total net deferred tax variance of EUR 29 million (2016: EUR -48 million) an amount of EUR 45 million (2016: EUR 50 million) is reflected as net deferred tax expense in the Group's income statement for the year 2017, whilst an income amount of EUR 74 million (2016: expense EUR 0.3 million) represents the impact in the Group's other comprehensive income for the year.

The Group's consolidated deferred tax asset position in amount of EUR 258 million as of 31 December 2017 (2016: EUR 234 million) is expected to be recoverable in the foreseeable future. In spite of losses in the current or prior period for the components of the group affected this recoverability is also expected to be the case for their amounts of deferred tax assets which are exceeding their deferred tax liabilities by an amount of EUR 11 million as of 31 December 2017 (2016: EUR 16 million). These expectations result from year-end recoverability assessments undertaken by the Group's entities, either at individual level, or at relevant tax group level. Such assessments are comparing net temporary deductible differences and available fiscal losses at year-end – after offsetting with deferred tax liabilities at individual level or at relevant tax group level - with fiscal profit forecasts for a group-wide unified and unchanged time horizon of a maximum 5 years depending on the fiscal jurisdiction and applicable facts and circumstances. If the result of these assessments is negative, the deferred tax asset positions are correspondingly not recorded and the already existing deferred tax asset positions are correspondingly depreciated.

Further information on total tax expense is provided in Note 10.

In accordance with IAS 12.39, no deferred tax liabilities were recognized for temporary differences relating to investments in subsidiaries with an amount of EUR 1,379 million (2016: EUR 1,134 million), as they are not expected to reverse in the foreseeable future. As of 31 December 2017, no deferred tax assets were recognized for tax loss carry-forward and deductible temporary differences with a total amount of EUR 5,019 million (2016: EUR 5,290 million), of which EUR 2,218 million (2016: EUR 2,163 million) relates to tax loss carry-forward, as they are not expected to be realized in the foreseeable future. The figure comprises an amount of EUR 1,500 million (2016: EUR 1,511 million) representing temporary differences in connection with investments in subsidiaries no deferred tax assets have been recognized for in accordance with IAS 12.44.

From the total of the not recorded deferred tax assets related to tax loss carry-forward in the following period EUR 1 million will expire (2016: EUR 1 million) and in later periods EUR 61 million (2016: EUR 76 million), EUR 442 million (2016: EUR 341 million) will not expire.

29. Assets held for sale and liabilities associated with assets held for sale

in EUR million	Dec 16	Dec 17
Assets held for sale	279	214
Liabilities associated with assets held for sale	5	3

As of the end of 2017, 'Assets held for sale' include mainly land and buildings in amount of EUR 122.2 million (2016: EUR 162.7 million).

For the assets which have been classified under IFRS 5 since the year 2016, the twelve-month deadline had been exceeded. Despite of intense sales negotiations and the related sales intentions, circumstances that had been outside the control of Erste Group occurred, and had prevented the sale of the assets until the end of the twelve-month period. The sales process could not be completed in 2017.

For this reason, the classification in accordance with IFRS 5 has been reversed in accordance with the applicable requirements. The assets concerned, in amount of EUR 18 million (2016: EUR 73 million) were reclassified to the original balance sheet items.

In 2017, no effect from the reclassification is shown in the other operating result. In 2016, the effect of the adjustment of the carrying amount of the assets upon the reclassification was a loss of EUR 1.1 million included in the other operating result.

30. Other assets

in EUR million	Dec 16	Dec 17
Prepayments and accrued income	177	149
Inventories	253	187
Sundry assets	590	433
Other assets	**1,020**	**769**

'Sundry assets' mainly consist of outstanding settlement receivables from securities- and payment transactions as well as advance payments for assets under construction. Real estate project developments are a main part of 'Inventories'.

The impairments of inventories, shown as expense in the reporting period amount to EUR 1.4 million (2016: EUR 12.0 million).

31. Other trading liabilities

in EUR million	Dec 16	Dec 17
Short positions	366	430
Equity instruments	240	188
Debt securities	126	242
Debt securities issued	59	59
Sundry trading liabilities	152	0
Other trading liabilities	**577**	**489**

The decrease in other trading liabilities concerns deposits which were classified as financial liabilities held for trading.

32. Financial liabilities – at fair value through profit and loss

	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
in EUR million	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17
Financial liabilities - at fair value through profit or loss	**1,763**	**1,801**	**1,720**	**1,717**	**43**	**85**
Deposits from banks	0	0	0	0	0	0
Deposits from customers	74	49	74	49	0	0
Debt securities issued	1,689	1,753	1,646	1,668	43	85
Other financial liabilities	0	0	0	0	0	0

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

	For reporting period		Cumulative amount	
in EUR million	1-12 16	1-12 17	Dec 16	Dec 17
Financial liabilities - at fair value through profit or loss	**18.0**	**90.9**	**57.1**	**145.8**
Deposits from banks	0.0	0.0	0.0	0.0
Deposits from customers	-0.1	0.0	0.1	0.1
Debt securities issued	18.2	90.9	57.0	145.7
Other financial liabilities	0.0	0.0	0.0	0.0

In 2017, the fair value of 'financial liabilities at fair value through profit or loss' increased due to changes in own credit risk in the amount of EUR 90.9 million (2016: increase of EUR 18.0 million). The cumulative increase due to the change of own credit risk amounts to EUR 145.8 million as of 31 December 2017 (2016: EUR 57.1 million).

Debt securities issued

in EUR million	Dec 16	Dec 17
Subordinated liabilities	556	880
Subordinated issues and deposits	556	880
Hybrid issues	0	0
Other debt securities issued	1,133	873
Bonds	763	502
Certificates of deposit	0	0
Registered bonds/other certificates	69	55
Mortgage covered bonds	302	316
Public sector covered bonds	0	0
Other	0	0
Debt securities issued	**1,689**	**1,753**

33. Financial liabilities measured at amortised costs

Deposits from banks

in EUR million	Dec 16	Dec 17
Overnight deposits	3,557	3,460
Term deposits	9,540	11,893
Repurchase agreements	1,534	996
Deposits from banks	**14,631**	**16,349**

Deposits from customers

in EUR million	Dec 16	Dec 17
Overnight deposits	**85,707**	**99,278**
Savings deposits	21,873	24,494
General governments	0	0
Other financial corporations	267	134
Non-financial corporations	1,344	1,531
Households	20,262	22,829
Non-savings deposits	63,834	74,785
General governments	4,637	5,502
Other financial corporations	4,774	5,409
Non-financial corporations	19,288	22,716
Households	35,135	41,158
Term deposits	**52,076**	**50,576**
Deposits with agreed maturity	46,925	44,966
Savings deposits	32,091	30,472
General governments	0	0
Other financial corporations	757	409
Non-financial corporations	1,333	1,447
Households	30,001	28,616
Non-savings deposits	14,834	14,494
General governments	1,740	2,123
Other financial corporations	2,460	2,631
Non-financial corporations	3,214	3,424
Households	7,420	6,316
Deposits redeemable at notice	5,151	5,610
General governments	1	8
Other financial corporations	70	79
Non-financial corporations	69	97
Households	5,011	5,426
Repurchase agreements	**156**	**1,066**
General governments	52	0
Other financial corporations	0	1,030
Non-financial corporations	104	36
Households	0	0
Deposits from customers	**137,939**	**150,921**
General governments	**6,429**	**7,633**
Other financial corporations	**8,327**	**9,693**
Non-financial corporations	**25,353**	**29,250**
Households	**97,829**	**104,345**

Debt securities issued

in EUR million	Dec 16	Dec 17
Subordinated liabilities	5,542	4,937
Subordinated issues and deposits	5,542	4,937
Hybrid issues	0	0
Other debt securities issued	19,960	18,405
Bonds	9,762	8,474
Certificates of deposit	441	164
Other certificates of deposits/name certificates	847	830
Mortgage covered bonds	7,351	7,610
Public sector covered bonds	1,456	1,187
Other	103	141
Debt securities issued	**25,503**	**23,342**

In 1998, Erste Group Bank AG launched a EUR 30,000,000,000 Debt Issuance Programme (DIP). The current DIP is a programme for issuing debt instruments in various currencies and maturities with a limited range of interest rate structures. In 2017, 24 DIP new bonds (2016: 55) with a total volume of approximately EUR 1.13 billion (2016: EUR 1.23 billion) were issued under the DIP.

In July 2014, the Credit Linked Notes Programme was implemented. In 2017, 9 new bonds (2016: 21) with a total volume of EUR 11 million (2016: EUR 29 million) were issued. At the same time the Equity Linked Notes Programme was implemented, under which 153 new bonds (2016: 130) with a total volume of EUR 383 million (2016: EUR 240 million) were issued.

Furthermore, secured and senior unsecured registered notes ('Namenspfandbriefe' and 'Namensschuldverschreibungen'), as well as other bonds that were not part of the above mentioned programmes were issued with a volume of EUR 93 million (2016: EUR 17 million). Starting with August 2008, the Euro Commercial Paper and Certificates of Deposit Programme has an overall volume of EUR 10 billion. In all, 20 issues (2016: 16) amounting to EUR 780 million (2016: EUR 384 million) were placed in 2017. Issues totalling approximately EUR 691 million (2016: EUR 384 million) were redeemed over the same period.

Erste Group Bank AG, through its branch in NY and through its fully consolidated subsidiary Erste Finance Delaware LLC, issues commercial papers and certificates of deposit into the US money market. The Dollar Certificate of Deposit Program of the New York branch has a maximum issuance volume of EUR 4.16 billion (USD 5.0 billion), with a total balance as of 31 December 2017 of EUR 38 million (USD 45 million) and as of 31 December 2016 EUR 212 million (USD 223 million). The Dollar Commercial Paper Program of Erste Finance Delaware LLC has a maximum issuance volume of EUR 6.2 billion (USD 7.5 billion), with a total balance as of 31 December 2017 of EUR 75 million (USD 91 million) and as of 31 December 2016 EUR 227 million (USD 239 million).

34. Provisions

in EUR million	Dec 16	Dec 17
Long-term employee provisions	969	914
Pending legal issues and tax litigation	332	351
Commitments and guarantees given	339	323
Provisions for guarantees - off balance sheet (defaulted customers)	208	181
Provisions for guarantees - off balance sheet (non-defaulted customers)	131	141
Other provisions	62	60
Provisions for onerous contracts	4	4
Other	58	57
Provisions	**1,702**	**1,648**

a) Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee payments	Total
Present value of long-term employee benefit obligations, 31 Dec 2013	**787**	**395**	**76**	**1,258**
Present value of long-term employee benefit obligations, 31 Dec 2014	**858**	**466**	**87**	**1,411**
Present value of long-term employee benefit obligations, 31 Dec 2015	**741**	**430**	**87**	**1,258**
Increase	0	0	0	0
Decrease	0	0	0	0
Settlements / Curtailments	0	0	0	0
Service cost	0	12	5	17
Interest cost	17	10	2	29
Payments	-65	-22	-5	-92
Exchange rate difference	0	0	0	0
Components recognised in other comprehensive income (Remeasurements)	**21**	**16**	**0**	**37**
Adjustments in financial assumptions	17	19	0	36
Experience adjustments	4	-3	0	1
Actuarial gains/losses recognised in income	**0**	**0**	**1**	**1**
Adjustments in financial assumptions	0	0	4	4
Experience adjustments	0	0	-3	-3
Present value of long-term employee benefit obligations, 31 Dec 2016	**714**	**446**	**90**	**1,250**
Obligations covered by plan assets	0	233	48	281
Obligations covered by provisions	0	213	42	255
Less fair value of plan assets	**0**	**233**	**48**	**281**
Provisions as of 31 Dec 2016	**714**	**213**	**42**	**969**

Present value of long-term employee benefit obligations, 31 Dec 2016	**714**	**446**	**90**	**1,250**
Increase	20	0	0	20
Decrease	0	0	0	0
Settlements / Curtailments	1	-2	0	-1
Service cost	1	12	6	19
Interest cost	12	8	2	22
Payments	-65	-28	-5	-98
Exchange rate difference	0	0	0	0
Components recognised in other comprehensive income (Remeasurements)	**17**	**-5**	**0**	**12**
Adjustments in financial assumptions	-1	-2	0	-3
Experience adjustments	18	-3	0	15
Actuarial gains/losses recognised in income	**0**	**0**	**-5**	**-5**
Adjustments in financial assumptions	0	0	0	0
Experience adjustments	0	0	-5	-5
Present value of long-term employee benefit obligations, 31 Dec 2017	**700**	**431**	**88**	**1,219**
Obligations covered by plan assets	22	233	49	304
Obligations covered by provisions	678	198	39	915
Less fair value of plan assets	**22**	**233**	**49**	**304**
Provisions as of 31 Dec 2017	**678**	**198**	**39**	**915**

Actuarial assumptions

For Austrian subsidiaries the actuarial calculation of pension obligations is based on the following assumptions:

in %	Dec 16	Dec 17
Interest rate	1.80	1.82
Expected increase in retirement benefits	1.50	1.50

The expected retirement age for each employee was individually calculated on the basis of the changes set out in the Budget Implementation Act of 2003 (Austrian Federal Law Gazette Vol. I No. 71/2003) regarding the increase in the minimum retirement age. The currently applicable legislation on the gradual raising of the retirement age for men and women to 65 was taken into consideration.

For Austrian subsidiaries the actuarial calculation of severance payment and jubilee provisions is based on the following assumptions:

in %	Dec 16	Dec 17
Interest rate	1.80	1.82
Average increase in salary (incl. career trend and collective agreement trend)	2.40	2.40

For the non-Austrian subsidiaries and branches interest rates in the following ranges 1.46% (previously: 0.65%) to 4.41% (previously: 4.4%) were used.

Obligations were calculated based on the Pagler & Pagler mortality tables entitled 'AVÖ 2008 P – Rechnungsgrundlagen für die Pensionsversicherung' or comparable mortality tables.

The movement in plan assets during the reporting period was as follows:

in EUR million	Pension payments	Severance payments	Jubilee payments	Total
Fair value of plan assets as of 31 December 2015	**0**	**215**	**33**	**248**
Addition	0	16	15	31
Interest income on plan assets	0	5	1	6
Contributions by the employer	0	19	3	22
Benefits paid	0	-15	-4	-19
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	0	-7	0	-7
Return on plan assets recognised in P&L	0	0	0	0
Fair value of plan assets as of 31 December 2016	**0**	**233**	**48**	**281**
Addition	20	0	0	20
Interest income on plan assets	2	4	1	7
Contributions by the employer	0	15	4	19
Benefits paid	0	-21	-5	-26
Return on plan assets recognised in other comprehensive income (excluding amounts already recognised in interest income) - remeasurements	0	2	0	2
Return on plan assets recognised in P&L	0	0	1	1
Fair value of plan assets as of 31 December 2017	**22**	**233**	**49**	**304**

In 2018, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 10.2 million (2016: EUR 10.5 million). The contributions shown in the table include not only regular contributions but also one-time payments at the end of the year. The actual gain (loss) on plan assets amounted to EUR 9.7 million (2016: EUR -1.2 million).

Investment strategy

The primary investment strategy of Erste Group is the continuous optimization of plan assets and the effective coverage of existing entitlements. The Group works with professional fund managers for the investment of plan assets. The Investment Fund Act applies as a requirement with respect to specific investment guidelines relating to the investment of plan assets. Additionally, the Investment Committee which is composed of senior staff in the financial sector and representatives of the S-Versicherung and Erste Asset Management meets once a year.

Erste Group's severance payments and jubilee payments are partially covered by the fair value of plan assets, while defined benefit pension plans are not financed with segregated assets. Majority of defined benefit pension plans only exist for already retired employees. Majority of pension plans are dedicated to former employees of Austrian entities of Erste Group and are unfunded. In total 75% of the plans (sum over severance payments, defined benefit pension plans and jubilee payments) are not matched with dedicated assets.

For the yearly pension payments of the unfunded defined benefit plans and the unfunded part of severance payments Erste Group generally takes care within its asset-liability management strategy covering the funding plan and interest rate risk position of the Group. The payments for 2018 are expected with EUR 82.0 million (2016: EUR 79.2 million) for both plans.

The average duration of these provisions are assumed to be 10.56 years for severance payments and 8.38 years for defined benefit pension plans.

Control and risk

The effective allocation of plan assets is determined by the administering body including the relevant existing economic and market conditions as well as considering specific risks of the individual asset classes and the risk profile. Moreover the Investment Committee is responsible for monitoring the mandate guidelines and the investment structure, the supervision, which may arise from regulatory or other legal requirements, as well as the monitoring of demographic changes. As an additional steering tool the fund management generates a report, which is transmitted on a quarterly basis to the Group. Overall, the Group tries to minimize the impact caused by market movements on the pension plans.

Asset allocation in the different asset classes

The following table presents the asset allocation of plan assets in the different asset classes:

	Dec 16					Dec 17				
in EUR million	Europe-EMU	Europe-non EMU	USA	Other countries	Total	Europe-EMU	Europe-non EMU	USA	Other countries	Total
Cash and cash equivalents	17	0	0	0	17	13	0	1	0	14
Equity instruments	3	2	8	7	20	6	6	42	12	67
Investment-grade bonds										
Government	41	4	4	8	57	35	5	2	12	54
Non-government bonds	34	23	14	3	74	31	20	23	14	88
Non-investment-grade bonds										
Government	3	1	13	5	21	0	1	11	8	20
Non-government bonds	43	7	19	7	77	9	2	15	22	47
Alternatives										
Commodities	0	0	0	0	0	0	0	0	0	0
Other	1	0	0	5	6	1	0	0	7	8
Derivatives (Market risk)										
Interest rate risk	0	0	0	0	0	0	0	0	0	0
Credit risk	0	0	0	0	0	0	0	0	0	0
Equity price risk	0	0	0	0	0	0	0	0	0	0
Foreign exchange risk	0	0	0	0	0	0	0	0	0	0
Other	8	0	0	0	8	6	0	0	0	6
Plan assets	**150**	**37**	**58**	**35**	**281**	**101**	**34**	**95**	**75**	**304**

In the table above, Investment-grade refers to BBB and above.

The plan assets shown in the table above include mainly assets that are quoted and traded on acitve markets.

As of 31 December 2017, the plan assets did not include material amounts of securities issued by the Group or other claims upon it. Moreover none of the mortgage securities used by the Group are included.

The following table presents profit or loss effects of defined post-employment benefit plans (pensions and severance payments).

in EUR million	Dec 16	Dec 17
Settlements / Curtailments	0	1
Service cost	-17	-19
Net interest	-23	-15
Total	**-40**	**-33**

Settlements and curtailments as well as service costs are included in the income statement in the line item ‘Personnel expenses’. Net interest includes interest expenses for long-term employee benefits as well as the expected return on plan assets.These are disclosed in the income statement in the line item ‘Net interest income’ and ‘Net interest expense’. As of 31 December 2017, the cumulative amount of remeasurements recognised in other comprehensive income was EUR -515,5 million (2016: EUR -508.1 million).

Sensitivity to key assumption

For the Austrian subsidiaries the following table presents a sensitivity analysis for each significant actuarial assumptions showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the balance sheet date.

in EUR million	Dec 16 Pension obligation	Dec 16 Severance payment obligation	Dec 16 Total	Dec 17 Pension obligation	Dec 17 Severance payment obligation	Dec 17 Total
Change in discount rate + 1.0 %	652	377	1,029	614	367	981
Change in discount rate -1.0 %	769	467	1,236	723	450	1,173
Change in future salary increases + 0.5 %	706	442	1,148	665	426	1,091
Change in future salary increases -0.5 %	706	397	1,103	665	385	1,050
Change in future benefit increases + 0.5 %	761	419	1,180	713	405	1,118
Change in future benefit increases -0.5 %	655	419	1,074	620	405	1,025
Increase in survival rate by aprox. 10%	747	0	747	705	0	705

Impact on cash flows

The following table reflects the benefits expected to be paid by the defined benefit plans in each of the respective periods:

in EUR million	Pensions	Severance payments	Total
2018	62	20	82
2019	58	22	80
2020	54	28	82
2021	51	31	82
2022	47	32	79
2023-2027	187	174	361

Duration

The following table presents the weighted average duration of the defined-benefit obligations as of year-end 2017:

in years	Pensions	Severance payments	Total
Duration	8.38	10.56	9.20

b) Sundry provisions

Sundry provisions 2017

in EUR million	As of Dec 16	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes (+/-)	As of Dec 17
Pending legal issues and tax litigation	330	176	-109	-46	0	0	351
Commitments and guarantees given	339	329	-1	-347	1	-1	323
Provisions for guarantees - off balance sheet (defaulted customers)	208	168	-1	-196	1	1	181
Provisions for guarantees - off balance sheet (non-defaulted customers)	132	162	0	-151	0	-2	141
Other provisions	60	34	-13	-30	1	8	60
Provisions for onerous contracts	5	0	-1	-1	0	1	4
Other	54	34	-11	-29	1	8	57
Provisions	**729**	**539**	**-122**	**-423**	**3**	**7**	**734**

Under position pending legal issues and tax litigations out of lending business, asset management or litigations with customer protection association, which normally occur in banking business, are disclosed.

In 2017, a provision for risks related to Romanian consumer protection claims Act was partially released in amount of EUR 10.1 million (2016: EUR 62.3 million allocated). The total amount of the provision as of 31 December 2017 was EUR 133.5 million (2016: EUR 156.2 million).

The level of sundry provisions is the best possible estimate of expected outflow of economic benefits at the reporting date, while taking into account the risks and uncertainties underlying the commitment to fulfill the obligation. Risks and uncertainties are taken into account in the estimate.

Sundry provisions 2016

in EUR million	As of Dec 15	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes (+/-)	As of Dec 16
Pending legal issues and tax litigation	258	159	-9	-77	0	-1	330
Commitments and guarantees given	297	312	-1	-284	1	14	339
Provisions for guarantees - off balance sheet (defaulted customers)	179	185	-1	-169	1	12	208
Provisions for guarantees - off balance sheet (non-defaulted customers)	118	127	0	-116	0	2	132
Other provisions	171	25	-127	-7	0	-2	60
Provisions for onerous contracts	5	0	0	0	0	-1	5
Other	166	25	-128	-7	0	-2	54
Provisions	**725**	**496**	**-137**	**-368**	**2**	**11**	**729**

35. Other liabilities

in EUR million	Dec 16	Dec 17
Deferred income and accrued fee expenses	220	173
Sundry liabilities	2,716	2,423
Other liabilities	**2,936**	**2,596**

The item ‘Other liabilities’ mainly contains outstanding settlement receivables from securities- and payment transactions.

36. Total equity

in EUR million	Dec 16	Dec 17
Subscribed capital	860	860
Additional paid-in capital	1,478	1,477
Retained earning and other reserves	9,626	10,542
Owners of the parent	**11,963**	**12,879**
Additional paid-in capital	497	993
Non-controlling interests	4,142	4,416
Total	**16,602**	**18,288**

As of 31 December 2017, subscribed capital (also known as registered capital) consists of 429.800.000 (2016: 429.800.000) voting bearer shares (ordinary shares). The pro rata amount of registered capital, per no-par value share, was EUR 2.00. Additional paid-in capital (or share premium) represents the amount by which the issue price of the shares exceeded their par value. Retained earnings and other reserves represent accumulated net profit brought forward, as well as income and expenses recognised in other comprehensive income.

In June 2016 and in April 2017 Erste Group Bank AG issued additional tier 1 capital (AT1 bonds) each with a total nominal value of EUR 500 million. These bonds include non-cumulative coupon payments of 8.875% (issuance in June 2016) respectively 6.5% (issuance in April 2017) per annum. The interest payments are carried out twice a year on 15 April and 15 October.

Changes in number of outstanding shares

	Dec 16	Dec 17
Shares outstanding as of 1 January	**410,487,814**	**409,497,646**
Acquisition of treasury shares	-6,974,500	-7,429,508
Disposal of treasury shares	5,984,332	7,138,768
Shares outstanding as of 31 December	**409,497,646**	**409,206,906**
Treasury shares	20,302,354	20,593,094
Number of shares issued as of 31 December	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,668,132	426,679,572
Weighted average diluted number of outstanding shares	426,668,132	426,679,572

Transactions and shares held by the management board and supervisory board

The shares of management- and supervisory board member, whose office term began or ended during the financial year, held as at the date of inception or termination of their term in office were recognized as additions or disposals.

Information on shares held and transactions in Erste Group Bank AG shares by members of the management board (in number of shares):

Managing board member	Dec 16	Additions	Disposals	Dec 17
Andreas Treichl	164,640	0	0	164,640
Peter Bosek	1,000	0	0	1,000
Petr Brávek	600	0	0	600
Willibald Cernko	0	0	0	0
Andreas Gottschling (until 31 December 2016)	0	0	0	0
Gernot Mittendorfer	10,000	0	0	10,000
Jozef Síkela	6,300	0	0	6,300

The amount of shares of opening balance in the line of Mr. Brávek has been adjusted.

Supervisory board members held the following numbers of Erste Group Bank AG shares as of the balance sheet date of 31 December 2017:

Supervisory board member	Dec 16	Additions	Disposals	Dec 17
Friedrich Rödler	1,702	0	0	1,702
Jan Homan	4,400	0	0	4,400
Bettina Breiteneder (until 17 May 2017)	0	0	0	0
Maximilian Hardegg	40	0	0	40
Elisabeth Bleyleben Koren	10,140	0	0	10,140
Gunter Griss	0	0	0	0
Jordi Gual Solé	0	0	0	0
Marion Khüny	0	0	0	0
Elisabeth Krainer Senger-Weiss	0	0	0	0
Antonio Massanell Lavilla (until 15 September 2017)	0	0	0	0
Brian D. O'Neill	0	0	0	0
Wilhelm Rasinger	21,303	0	0	21,303
John James Stack	32,761	0	0	32,761
Markus Haag	160	0	0	160
Regina Haberhauer	188	0	0	188
Andreas Lachs	52	0	0	52
Barbara Pichler	281	0	0	281
Jozef Pinter	0	0	0	0
Karin Zeisel	35	0	0	35

As of 31 December 2017, supervisory board members did not hold options in Erste Group Bank AG shares. Persons related to members of the management board or supervisory board held 3,366 shares (2016: 3,366 shares) of Erste Group Bank AG.

Remaining authorised and contingent capital as of 31 December 2017

Clause 5 of the articles of association authorises the management board until 21 May 2019, to increase the registered capital of the company with the consent of the supervisory board – including in several tranches – by an amount of up to EUR 171,800,000 by issuing up to 85,900,000 voting no-par value bearer shares in return for contributions in cash and/or in kind, with the issue price and the issuing conditions being determined by the management board with the consent of the supervisory board.

Furthermore, the management board is authorized to fully or partly exclude the statutory subscription right of the shareholders with the consent of the supervisory board if the capital increase is in return for a cash contribution and the shares issued while excluding the subscription right of the shareholders, taken together, do not exceed EUR 43,000,000 and/or if the capital increase is in return for contributions in kind.

The measures in sections 5.1.1 (capital increase against cash contribution) to 5.1.2 (capital increase against contributions in kind) can also be combined. The aggregate pro rata amount of registered capital represented by shares in respect of which the shareholders' subscription rights are excluded under this authorization in section 5.1 (authorized capital) together with the pro rata amount of registered capital attributable to shares to which conversion or subscription rights or obligations relate under bonds that were issued and sold on the basis of the authorization in section 8.3, subject to an exclusion of subscription rights, on or after 21 May 2014 must not, however, exceed the amount of EUR 171,800,000.

Clause 6.3 of the articles of association states that conditional capital based on the resolutions of the management board in 2002 and 2010 with a nominal value of EUR 21,923,264 persists that can be consumed by issuing up to 10,961,632 ordinary bearer shares or ordinary registered shares (ordinary share) with an issue price of at least EUR 2.00 per share against cash contribution and by excluding the subscription rights of the current shareholders. This conditional capital is used for granting options to staff, management and members of the management board of the entity of one of its related undertakings.

Under clause 6.4 of the articles of association, the company has conditional capital of EUR 124,700,000.00 available, which may be utilized by issuing up to 62,350,000 pieces bearer shares. This conditional capital can be used for granting conversion or subscription rights to holders of convertible bonds. In case the terms and conditions of the convertible bonds provide for a mandatory conversion, it shall also serve to cover the mandatory conversion. The issue price and exchange ratio shall be determined pursuant to a recognized pricing method on the basis of accepted finance-mathematical methods and the share price of the company.

According to clause 7 of the articles of association, currently no authorized conditional capital exists.

37. Segment reporting

Erste Group's segment reporting is based on IFRS 8 Operating Segments, which adopts the management approach. Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the chief operating decision maker to assess the performance of the segments and make decisions regarding the allocation of resources. Within Erste Group the function of the chief operating decision maker is exercised by the management board.

Erste Group's segment reporting is based on the matrix organisation (business and geographical information) and provides comprehensive information to assess the performance of the business and geographical segments.

Business segmentation

The segment reporting comprises six business segments reflecting Erste Group's management structure and its internal management reporting in 2017.

Retail

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

Corporates

The Corporates segment comprises business done with corporate customers of different turnover size (small and medium-sized enterprises, Local Large Corporate and Group Large Corporate customers) as well as commercial real estate and public sector business. Small and medium-sized enterprises (SME) are clients which are under the responsibility of the local corporate commercial center network, mainly consisting of companies within defined annual turnover thresholds. Local Large Corporates (LLC) are clients with specific annual turnover thresholds (lying above SME thresholds) which are not defined as Group Large Corporate customers according to the Group Large Corporate client list. Group Large Corporates (GLC) are large corporate customers/client groups with substantial operations in core markets/extended core markets of Erste Group. GLC clients can be found on the GLC client list. Commercial Real Estate (CRE) covers for example investors in real estate for the purpose of generating income from the rental of individual properties or portfolios of properties, developers of individual properties or portfolios of properties for the purpose of generating capital gains through sale etc. Public Sector consists of three sets of customers: public sector, public corporations and non-profit sector.

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

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

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

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

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

Geographical segmentation
For the purpose of segment reporting by geographical areas the information is presented based on the location of the booking entity (not the country of risk). In case of information regarding a partial group, the allocation is based on the location of the respective parent entity according to the local management responsibility.

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

The geographical area Austria consists of the following three segments:

_ The **Erste Bank Oesterreich & Subsidiaries** (EBOe & Subsidiaries) segment comprises Erste Bank der oesterreichischen Sparkassen AG (Erste Bank Oesterreich) and its main subsidiaries (e.g. sBausparkasse, Salzburger Sparkasse, Tiroler Sparkasse, Sparkasse Hainburg).
_ The **Savings banks** segment is identical to the business segment Savings banks.

_ The **Other Austria** segment comprises Erste Group Bank AG (Holding) with its Corporates and Group Markets business, Erste Group Immorent GmbH, Erste Asset Management GmbH and Intermarket Bank AG.

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

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

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

In 2017, the goodwill impairment of Diners Club International Macedonia in the amount of EUR 0.5 million was recognized in business segment ALM & LCC/geographical segment Croatia. In 2016 the goodwill impairment of Slovenská sporiteľňa in the amount of EUR 61.3 million was recognized in business segment GCC/ geographical segment Other.

Measurement

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

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

Net fee and commission income and Other operating result are reported on a net basis according to the regular reporting to the chief operating decision maker.

Capital consumption per segment is regularly reviewed by the management of Erste Group to assess the performance of the segments. The average allocated capital is determined by the credit risk, market risk and operational risk.

According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. Total average allocated capital for the Group equals average total equity of the Group.

For measuring and assessing the profitability of segments within Erste Group, such key measures as return on allocated capital and cost/income ratio are used.

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

Business segments (1)

	Retail		Corporates		Group Markets		ALM&LCC	
in EUR million	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**
Net interest income	2,198.2	2,155.7	1,015.6	993.9	212.1	196.8	-93.7	-55.4
Net fee and commission income	958.4	1,003.8	259.1	256.2	203.7	223.0	-64.4	-87.4
Dividend income	2.5	1.0	1.2	0.6	2.3	1.2	11.4	13.4
Net trading result	99.6	114.0	90.7	91.6	94.3	123.8	-10.2	-74.3
Result from financial assets and liabilities designated at fair value through profit or loss	-1.1	0.0	1.0	1.8	2.6	9.2	-12.3	-23.4
Net result from equity method investments	7.3	8.4	0.0	0.2	0.0	0.0	2.4	4.4
Rental income from investment properties & other operating leases	21.4	21.6	137.1	125.6	0.0	0.0	31.6	31.5
General administrative expenses	-1,892.8	-1,995.8	-562.4	-577.0	-223.4	-229.5	-117.3	-86.0
thereof depreciation and amortization	-189.6	-211.2	-70.7	-68.6	-15.4	-12.7	-25.0	-13.5
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	0.9	0.3	4.8	7.0	1.6	1.7	132.0	47.0
Net impairment loss on financial assets	-19.1	9.5	-61.9	-135.3	11.4	3.6	-9.6	-8.3
Other operating result	-111.7	-60.7	-14.9	-20.9	3.4	-13.3	-160.2	-189.9
Levies on banking activities	-43.5	-50.6	-19.1	-14.9	-1.7	-1.6	-62.2	-18.9
Pre-tax result from continuing operations	**1,263.6**	**1,257.7**	**870.3**	**743.7**	**308.1**	**316.7**	**-290.3**	**-428.4**
Taxes on income	-261.1	-237.0	-173.8	-136.9	-67.4	-65.2	74.0	37.7
Net result for the period	**1,002.5**	**1,020.8**	**696.5**	**606.8**	**240.6**	**251.5**	**-216.4**	**-390.7**
Net result attributable to non-controlling interests	37.9	60.1	43.5	26.5	5.0	5.8	-1.9	-31.4
Net result attributable to owners of the parent	**964.6**	**960.7**	**653.0**	**580.3**	**235.6**	**245.7**	**-214.4**	**-359.3**
Operating income	3,286.3	3,304.4	1,504.7	1,469.9	515.1	554.1	-135.2	-191.2
Operating expenses	-1,892.8	-1,995.8	-562.4	-577.0	-223.4	-229.5	-117.3	-86.0
Operating result	**1,393.5**	**1,308.6**	**942.4**	**892.9**	**291.7**	**324.6**	**-252.5**	**-277.2**
Risk-weighted assets (credit risk, eop)	17,113	19,097	34,527	37,029	4,850	3,405	4,202	4,546
Average allocated capital	2,390	2,518	3,125	3,222	640	682	2,259	2,210
Cost/income ratio	57.6%	60.4%	37.4%	39.3%	43.4%	41.4%	-86.6%	-45.0%
Return on allocated capital	42.0%	40.5%	22.3%	18.8%	37.6%	36.9%	-9.6%	-17.7%
Total assets (eop)	53,822	58,952	47,707	49,661	28,552	31,106	49,477	58,619
Total liabilities excluding equity (eop)	74,588	80,446	25,660	28,032	21,322	28,592	47,598	49,041
Impairments and risk provisions	**-24.4**	**-0.3**	**-140.5**	**-96.5**	**10.8**	**4.7**	**-66.1**	**-68.3**
Net impairment loss on loans and receivables to credit institutions/customers	-19.2	9.5	-61.8	-135.0	11.3	3.3	-7.2	-6.4
Net impairment loss on other financial assets	0.1	0.0	-0.2	-0.3	0.2	0.3	-2.4	-2.0
Allocations/releases of provisions for contingent credit risk liabilities	-1.4	-6.6	-55.0	34.3	-0.6	0.4	7.4	1.1
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5
Net impairment loss on other non-financial assets	-3.8	-3.2	-23.6	4.5	0.0	0.7	-63.9	-60.6

Business segments (2)

in EUR million	Savings Banks		Group Corporate Center		Intragroup Elimination		Total Group	
	1-12 16	1-12 17	1-12 16	1-12 17	1-12 16	1-12 17	1-12 16	1-12 17
Net interest income	955.8	982.0	77.4	74.9	9.0	5.2	4,374.5	4,353.2
Net fee and commission income	429.7	446.2	6.4	13.0	-9.9	-3.2	1,783.0	1,851.6
Dividend income	16.4	16.7	11.6	11.0	-0.2	-0.2	45.2	43.7
Net trading result	5.3	10.2	3.7	-41.5	0.4	-0.9	283.8	222.8
Result from financial assets and liabilities designated at fair value through profit or loss	0.0	0.0	-1.7	0.1	0.0	0.0	-11.5	-12.3
Net result from equity method investments	0.0	0.0	-0.6	2.9	0.0	0.0	9.0	15.9
Rental income from investment properties & other operating leases	38.8	37.8	15.3	12.7	-37.0	-35.0	207.2	194.2
General administrative expenses	-1,021.8	-1,051.2	-871.5	-996.4	660.9	777.6	-4,028.2	-4,158.2
thereof depreciation and amortization	-76.2	-73.0	-76.2	-81.0	0.0	0.0	-453.1	-460.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	8.5	30.4	1.0	70.0	-0.8	0.0	148.0	156.4
Net impairment loss on financial assets	-54.2	12.6	-62.2	-14.1	0.0	0.0	-195.7	-132.0
Other operating result	-65.3	-68.4	306.3	639.2	-622.4	-743.4	-665.0	-457.4
Levies on banking activities	-47.0	-4.4	-215.3	-15.3	0.0	0.0	-388.8	-105.7
Pre-tax result from continuing operations	**313.1**	**416.3**	**-514.4**	**-228.2**	**0.0**	**0.0**	**1,950.4**	**2,077.8**
Taxes on income	-116.0	-101.3	130.7	92.5	0.0	0.0	-413.6	-410.1
Net result for the period	**197.2**	**315.0**	**-383.6**	**-135.7**	**0.0**	**0.0**	**1,536.8**	**1,667.7**
Net result attributable to non-controlling interests	163.1	263.1	24.5	27.4	0.0	0.0	272.0	351.5
Net result attributable to owners of the parent	**34.1**	**51.9**	**-408.1**	**-163.2**	**0.0**	**0.0**	**1,264.7**	**1,316.2**
Operating income	1,446.0	1,492.9	112.0	73.1	-37.8	-34.1	6,691.2	6,669.0
Operating expenses	-1,021.8	-1,051.2	-871.5	-996.4	660.9	777.6	-4,028.2	-4,158.2
Operating result	**424.2**	**441.7**	**-759.4**	**-923.3**	**623.2**	**743.5**	**2,663.0**	**2,510.8**
Risk-weighted assets (credit risk, eop)	20,930	21,625	1,433	1,083	0	0	83,056	86,784
Average allocated capital	2,120	2,136	5,326	6,776	0	0	15,859	17,544
Cost/income ratio	70.7%	70.4%	>100%	>100%	>100%	>100%	60.2%	62.4%
Return on allocated capital	9.3%	14.7%	-7.2%	-2.0%			9.7%	9.5%
Total assets (eop)	58,357	60,108	3,762	2,797	-33,450	-40,583	208,227	220,659
Total liabilities excluding equity (eop)	54,038	55,486	1,838	1,328	-33,420	-40,555	191,625	202,371
Impairments and risk provisions	**-44.8**	**0.2**	**-117.2**	**-24.7**	**0.0**	**0.0**	**-382.1**	**-184.9**
Net impairment loss on loans and receivables to credit institutions/customers	-51.6	17.8	-55.7	5.7	0.0	0.0	-184.2	-105.0
Net impairment loss on other financial assets	-2.6	-5.2	-6.5	-19.8	0.0	0.0	-11.4	-27.0
Allocations/releases of provisions for contingent credit risk liabilities	10.5	-11.7	11.1	0.0	0.0	0.0	-28.1	17.5
Impairment of goodwill	0.0	0.0	-61.3	0.0	0.0	0.0	-61.3	-0.5
Net impairment loss on other non-financial assets	-1.0	-0.7	-4.8	-10.6	0.0	0.0	-97.1	-69.9

Geographical segmentation - overview

	Austria		Central and Eastern Europe		Other		Total Group	
in EUR million	1-12 16	1-12 17	1-12 16	1-12 17	1-12 16	1-12 17	1-12 16	1-12 17
Net interest income	2,017.9	1,985.4	2,227.3	2,262.3	129.3	105.5	4,374.5	4,353.2
Net fee and commission income	962.0	1,016.6	864.8	865.0	-43.9	-30.0	1,783.0	1,851.6
Dividend income	28.6	28.1	5.2	4.8	11.4	10.8	45.2	43.7
Net trading result	39.7	79.7	245.8	263.4	-1.7	-120.3	283.8	222.8
Result from financial assets and liabilities designated at fair value through profit or loss	2.3	10.5	-3.9	-3.0	-9.9	-19.8	-11.5	-12.3
Net result from equity method investments	2.2	3.9	7.5	9.1	-0.6	2.9	9.0	15.9
Rental income from investment properties & other operating leases	132.4	130.4	58.4	48.1	16.4	15.8	207.2	194.2
General administrative expenses	-2,044.1	-2,104.6	-1,726.2	-1,784.0	-257.9	-269.6	-4,028.2	-4,158.2
thereof depreciation and amortization	-162.5	-155.8	-213.6	-222.7	-77.0	-81.6	-453.1	-460.0
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	30.2	43.6	122.4	30.0	-4.6	82.9	148.0	156.4
Net impairment loss on financial assets	-107.0	-1.2	-17.2	-118.2	-71.5	-12.6	-195.7	-132.0
Other operating result	-80.0	-105.6	-273.7	-231.4	-311.2	-120.4	-665.0	-457.4
Levies on banking activities	-91.3	-7.7	-82.1	-82.6	-215.3	-15.3	-388.8	-105.7
Pre-tax result from continuing operations	**984.2**	**1,086.7**	**1,510.5**	**1,346.0**	**-544.3**	**-354.9**	**1,950.4**	**2,077.8**
Taxes on income	-286.6	-268.7	-264.9	-266.7	137.9	125.4	-413.6	-410.1
Net result for the period	**697.5**	**818.0**	**1,245.7**	**1,079.3**	**-406.4**	**-229.5**	**1,536.8**	**1,667.7**
Net result attributable to non-controlling interests	187.0	284.2	60.7	40.0	24.3	27.3	272.0	351.5
Net result attributable to owners of the parent	**510.5**	**533.8**	**1,184.9**	**1,039.3**	**-430.7**	**-256.8**	**1,264.7**	**1,316.2**
Operating income	3,185.1	3,254.6	3,405.2	3,449.6	100.9	-35.2	6,691.2	6,669.0
Operating expenses	-2,044.1	-2,104.6	-1,726.2	-1,784.0	-257.9	-269.6	-4,028.2	-4,158.2
Operating result	**1,141.0**	**1,150.0**	**1,679.0**	**1,665.6**	**-157.0**	**-304.8**	**2,663.0**	**2,510.8**
Risk-weighted assets (credit risk, eop)	46,970	47,237	34,061	37,909	2,025	1,637	83,056	86,784
Average allocated capital	4,929	4,918	4,538	5,031	6,392	7,595	15,859	17,544
Cost/income ratio	64.2%	64.7%	50.7%	51.7%	>100%	>100%	60.2%	62.4%
Return on allocated capital	14.2%	16.6%	27.4%	21.5%	-6.4%	-3.0%	9.7%	9.5%
Total assets (eop)	138,778	143,757	85,624	101,036	-16,175	-24,134	208,227	220,659
Total liabilities excluding equity (eop)	114,205	118,263	75,976	90,816	1,444	-6,708	191,625	202,371
Impairments and risk provisions	**-114.9**	**-14.0**	**-146.7**	**-141.0**	**-120.5**	**-30.0**	**-382.1**	**-184.9**
Net impairment loss on loans and receivables to credit institutions/customers	-104.3	3.4	-15.0	-115.6	-65.0	7.2	-184.2	-105.0
Net impairment loss on other financial assets	-2.7	-4.6	-2.2	-2.6	-6.5	-19.8	-11.4	-27.0
Allocations/releases of provisions for contingent credit risk liabilities	9.6	-7.9	-55.1	26.1	17.5	-0.7	-28.1	17.5
Impairment of goodwill	0.0	0.0	0.0	-0.5	-61.3	0.0	-61.3	-0.5
Net impairment loss on other non-financial assets	-17.4	-4.9	-74.4	-48.4	-5.3	-16.7	-97.1	-69.9

Geographical area - Austria

	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
in EUR million	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**
Net interest income	660.5	631.2	955.8	982.0	401.6	372.2	2,017.9	1,985.4
Net fee and commission income	334.6	353.8	429.7	446.2	197.8	216.6	962.0	1,016.6
Dividend income	8.0	9.8	16.4	16.7	4.2	1.6	28.6	28.1
Net trading result	16.1	18.9	5.3	10.2	18.3	50.7	39.7	79.7
Result from financial assets and liabilities designated at fair value through profit or loss	0.1	1.3	0.0	0.0	2.2	9.2	2.3	10.5
Net result from equity method investments	1.7	2.7	0.0	0.0	0.5	1.2	2.2	3.9
Rental income from investment properties & other operating leases	36.5	36.1	38.8	37.8	57.1	56.5	132.4	130.4
General administrative expenses	-666.9	-679.6	-1,021.8	-1,051.2	-355.5	-373.8	-2,044.1	-2,104.6
thereof depreciation and amortization	-44.9	-45.3	-76.2	-73.0	-41.4	-37.5	-162.5	-155.8
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	15.2	4.1	8.5	30.4	6.5	9.1	30.2	43.6
Net impairment loss on financial assets	-29.3	26.1	-54.2	12.6	-23.5	-40.0	-107.0	-1.2
Other operating result	-33.8	-31.6	-65.3	-68.4	19.1	-5.7	-80.0	-105.6
Levies on banking activities	-44.4	-3.3	-47.0	-4.4	0.0	0.0	-91.3	-7.7
Pre-tax result from continuing operations	**342.8**	**372.7**	**313.1**	**416.3**	**328.2**	**297.7**	**984.2**	**1,086.7**
Taxes on income	-95.0	-102.2	-116.0	-101.3	-75.6	-65.3	-286.6	-268.7
Net result for the period	**247.8**	**270.6**	**197.2**	**315.0**	**252.6**	**232.4**	**697.5**	**818.0**
Net result attributable to non-controlling interests	19.4	17.4	163.1	263.1	4.5	3.7	187.0	284.2
Net result attributable to owners of the parent	**228.4**	**253.2**	**34.1**	**51.9**	**248.1**	**228.6**	**510.5**	**533.8**
Operating income	1,057.5	1,053.7	1,446.0	1,492.9	681.7	708.0	3,185.1	3,254.6
Operating expenses	-666.9	-679.6	-1,021.8	-1,051.2	-355.5	-373.8	-2,044.1	-2,104.6
Operating result	**390.6**	**374.1**	**424.2**	**441.7**	**326.2**	**334.2**	**1,141.0**	**1,150.0**
Risk-weighted assets (credit risk, eop)	11,523	11,621	20,930	21,625	14,517	13,992	46,970	47,237
Average allocated capital	1,285	1,285	2,120	2,136	1,525	1,497	4,929	4,918
Cost/income ratio	63.1%	64.5%	70.7%	70.4%	52.2%	52.8%	64.2%	64.7%
Return on allocated capital	19.3%	21.1%	9.3%	14.7%	16.6%	15.5%	14.2%	16.6%
Total assets (eop)	41,484	43,141	58,357	60,108	38,936	40,509	138,778	143,757
Total liabilities excluding equity (eop)	39,738	41,260	54,038	55,486	20,429	21,516	114,205	118,263
Impairments and risk provisions	**-21.2**	**27.9**	**-44.8**	**0.2**	**-49.0**	**-42.1**	**-114.9**	**-14.0**
Net impairment loss on loans and receivables to credit institutions/customers	-28.9	26.0	-51.6	17.8	-23.8	-40.5	-104.3	3.4
Net impairment loss on other financial assets	-0.4	0.1	-2.6	-5.2	0.3	0.5	-2.7	-4.6
Allocations/releases of provisions for contingent credit risk liabilities	8.8	2.6	10.5	-11.7	-9.7	1.2	9.6	-7.9
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment loss on other non-financial assets	-0.7	-0.8	-1.0	-0.7	-15.7	-3.4	-17.4	-4.9

Geographical area - Central and Eastern Europe

	Czech Republic		Romania		Slovakia		Hungary		Croatia		Serbia		Central and Eastern Europe	
in EUR million	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**	**1-12 16**	**1-12 17**
Net interest income	914.3	942.3	374.9	365.5	453.0	434.3	173.4	198.4	264.9	270.5	46.8	51.3	2,227.3	2,262.3
Net fee and commission income	344.3	334.4	157.9	153.4	121.7	112.7	141.8	157.4	88.0	95.8	11.1	11.3	864.8	865.0
Dividend income	3.1	2.4	0.6	0.9	1.2	1.1	0.1	0.3	0.2	0.1	0.0	0.0	5.2	4.8
Net trading result	107.2	103.9	70.3	77.3	13.5	13.8	22.2	37.7	29.5	26.6	3.3	4.1	245.8	263.4
Result from financial assets and liabilities designated at fair value through profit or loss	-1.6	-0.3	-0.3	0.4	-0.9	-0.5	-1.1	-2.6	0.0	0.0	0.0	0.0	-3.9	-3.0
Net result from equity method investments	-0.4	0.3	0.4	0.2	6.1	7.1	0.0	0.0	1.2	1.3	0.2	0.2	7.5	9.1
Rental income from investment properties & other operating leases	17.7	10.3	11.9	13.9	0.9	0.3	4.0	3.8	23.7	19.6	0.3	0.1	58.4	48.1
General administrative expenses	-671.2	-692.8	-349.8	-338.0	-275.1	-281.1	-195.6	-220.8	-194.3	-206.3	-40.2	-45.1	-1,726.2	-1,784.0
thereof depreciation and amortization	-78.2	-77.7	-37.6	-36.6	-43.9	-44.8	-20.4	-30.7	-31.3	-30.5	-2.2	-2.4	-213.6	-222.7
Gains/losses from financial assets and liabilities not measured at fair value through profit or loss, net	52.6	10.3	24.9	0.0	27.0	0.3	9.3	18.6	8.7	0.7	0.0	0.0	122.4	30.0
Net impairment loss on financial assets	-70.5	-1.3	62.4	-7.1	-48.2	-30.1	91.7	35.1	-48.4	-116.1	-4.1	1.2	-17.2	-118.2
Other operating result	-24.8	-45.5	-115.6	-88.9	-16.1	-39.8	-102.7	-47.2	-13.9	-9.7	-0.6	-0.3	-273.7	-231.4
Levies on banking activities	0.0	0.0	0.0	0.0	-25.1	-27.4	-57.0	-55.3	0.0	0.0	0.0	0.0	-82.1	-82.6
Pre-tax result from continuing operations	**670.6**	**664.2**	**237.6**	**177.5**	**283.1**	**218.0**	**143.0**	**180.8**	**159.5**	**82.6**	**16.7**	**22.8**	**1,510.5**	**1,346.0**
Taxes on income	-122.8	-125.8	-24.5	-48.6	-69.8	-51.9	-9.4	-15.9	-37.6	-22.9	-0.7	-1.6	-264.9	-266.7
Net result for the period	**547.8**	**538.4**	**213.1**	**128.9**	**213.3**	**166.2**	**133.6**	**164.9**	**121.9**	**59.7**	**16.0**	**21.2**	**1,245.7**	**1,079.3**
Net result attributable to non-controlling interests	5.8	5.5	13.7	8.2	0.0	0.0	0.0	0.0	38.2	22.1	3.1	4.1	60.7	40.0
Net result attributable to owners of the parent	**542.0**	**532.9**	**199.5**	**120.7**	**213.3**	**166.2**	**133.6**	**164.9**	**83.7**	**37.7**	**12.8**	**17.0**	**1,184.9**	**1,039.3**
Operating income	1,384.5	1,393.4	615.7	611.5	595.4	568.7	340.3	395.0	407.4	414.0	61.7	67.0	3,405.2	3,449.6
Operating expenses	-671.2	-692.8	-349.8	-338.0	-275.1	-281.1	-195.6	-220.8	-194.3	-206.3	-40.2	-45.1	-1,726.2	-1,784.0
Operating result	**713.3**	**700.6**	**266.0**	**273.5**	**320.4**	**287.6**	**144.8**	**174.2**	**213.1**	**207.7**	**21.5**	**21.9**	**1,679.0**	**1,665.6**
Risk-weighted assets (credit risk, eop)	15,285	17,615	5,369	5,409	4,737	5,560	3,470	3,826	4,256	4,357	943	1,143	34,061	37,909
Average allocated capital	1,761	2,049	987	1,034	633	673	493	563	548	575	117	137	4,538	5,031
Cost/income ratio	48.5%	49.7%	56.8%	55.3%	46.2%	49.4%	57.5%	55.9%	47.7%	49.8%	65.2%	67.3%	50.7%	51.7%
Return on allocated capital	31.1%	26.3%	21.6%	12.5%	33.7%	24.7%	27.1%	29.3%	22.2%	10.4%	13.6%	15.5%	27.4%	21.5%
Total assets (eop)	39,470	52,055	14,875	15,228	14,819	16,338	6,606	7,151	8,654	8,840	1,199	1,423	85,624	101,036
Total liabilities excluding equity (eop)	34,965	47,317	13,375	13,631	13,263	14,807	5,699	6,057	7,621	7,758	1,051	1,245	75,976	90,816
Impairments and risk provisions	**-124.0**	**-29.1**	**54.1**	**-46.1**	**-44.5**	**-34.7**	**40.8**	**89.8**	**-68.7**	**-121.7**	**-4.3**	**0.8**	**-146.7**	**-141.0**
Net impairment loss on loans and receivables to credit institutions/customers	-70.6	-1.4	62.8	-6.9	-48.2	-30.0	92.7	36.6	-47.5	-115.4	-4.1	1.6	-15.0	-115.6
Net impairment loss on other financial assets	0.2	0.1	-0.4	-0.2	0.0	0.0	-1.0	-1.4	-0.9	-0.7	0.0	-0.4	-2.2	-2.6
Allocations/releases of provisions for contingent credit risk liabilities	-11.8	-2.4	4.7	-27.3	4.4	-3.6	-45.8	58.3	-6.0	1.4	-0.6	-0.4	-55.1	26.1
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.5	0.0	0.0	0.0	-0.5
Net impairment loss on other non-financial assets	-41.8	-25.4	-13.0	-11.6	-0.7	-1.1	-5.1	-3.6	-14.3	-6.6	0.4	-0.1	-74.4	-48.4

38. Assets and liabilities denominated in foreign currencies and outside Austria and return on assets

Assets and liabilities not denominated in EUR were as follows:

in EUR million	Dec 16	Dec 17
Assets	69,639	80,849
Liabilities	57,598	64,731

The assets and liabilities outside Austria are given below:

in EUR million	Dec 16	Dec 17
Assets	114,050	127,310
Liabilities	88,658	95,039

Return on assets (net profit for the year divided by average total assets) was 0.78% at 31 December 2017 (2016: 0.75%). The amount for 2016 was corrected.

39. Leases

Finance leases

Finance leases receivables are included under the balance sheet item 'Loans and advances to customers'.

Erste Group leases both movable property and real estate to other parties under finance lease arrangements. For the finance lease receivables included in this item, the reconciliation of the gross investment in leases to the present value of the minimum lease payments is as follows:

in EUR million	Dec 16	Dec 17
Outstanding minimum lease payments	3,394	3,212
Non-guaranteed residual values	1,005	958
Gross investment	**4,399**	**4,170**
Unrealised financial income	392	358
Net investment	**4,007**	**3,812**
Present value of non-guaranteed residual values	713	650
Present value of minimum lease payments	**3,294**	**3,162**

The maturity analysis of gross investment in leases and present values of minimum lease payments under non-cancellable leases is as follows (residual maturities):

	Gross investment		Present value of minimum lease payments	
in EUR million	Dec 16	Dec 17	Dec 16	Dec 17
< 1 year	907	863	750	679
1 - 5 years	2,157	2,202	1,702	1,746
> 5 years	1,336	1,105	842	737
Total	**4,399**	**4,170**	**3,294**	**3,162**

In the reporting period, the total amount of accumulated allowance for uncollectable minimum lease payments, presented as risk provisions for loans and advances, was EUR 124.7 million (2016: EUR 156.8 million). The total amount of contingent rents from finance leases recognised as income in the period was EUR 31.6 million (2016: EUR 32.1 million).

Operating leases

Under operating leases, Erste Group leases both real estate and movable property to other parties.

Operating leases from the view of Erste Group as lessor

Minimum lease payments from non-cancellable operating leases are as follows:

in EUR million	Dec 16	Dec 17
< 1 year	64	57
1 - 5 years	175	152
> 5 years	83	55
Total	**322**	**265**

The total amount of contingent rents from operating leases recognised as income in the period was EUR 10.7 million (2016: EUR 10.2 million).

Operating leases from the view of Erste Group as lessee

Minimum lease payments from non-cancellable operating leases are as follows:

in EUR million	Dec 16	Dec 17
< 1 year	54	80
1 - 5 years	115	205
> 5 years	88	111
Total	**257**	**396**

Lease payments from operating leases recognised as expense in the period amounted to EUR 85.5 million (2016: EUR 77.5 million).

40. Related-party transactions and principal shareholders

In addition to principal shareholders, Erste Group also defines as related parties subsidiaries that are not consolidated due to non-materiality and associates that are included in the consolidated financial statements by the equity method. Furthermore, related parties consist of management and supervisory board members of Erste Group Bank AG. Moreover, Erste Group defines close family members of management and supervisory board members of Erste Group Bank AG, as well as companies over which management and supervisory board members of Erste Group Bank AG have significant influence, as other related parties.

Transactions between Erste Group Bank AG and fully consolidated companies are not recognised in the consolidated financial statements as they have been eliminated.

Principal shareholders

As of 31 December 2017, DIE ERSTE oesterreichische Spar-Casse Privatstiftung (‘ERSTE Foundation’), a foundation, holds together with its partners to shareholder agreements approximately 29.62% of the shares in Erste Group Bank AG and is with 15.62% main share-holder. The Erste Foundation is holding 6.50% of the shares directly, the indirect participation of the ERSTE Foundation amounts to 9.12 % of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated company of the ERSTE Foundation. 1.00% are held directly by Austrian savings banks respectively saving banks foundations acting together with the ERSTE Foundation and affiliated with Erste Group Bank AG through the Haftungsverbund. 9.92% of the subscribed capital is held by the ERSTE Foundation on the basis of a shareholder agreement with CaixaBank S.A. 3.08% are held by other partners to other shareholder agreements.

In 2017 (for the financial year 2016), ERSTE Foundation received a dividend of EUR 47.5 million (2016: EUR 23.8 million) on its stake in Erste Group Bank AG. The purpose of the Erste Foundation, to be achieved notably by way of the participating interest in Erste Group Bank AG, is to support social, scientific, cultural and charitable institutions as well as to generally promote the guiding principles of the savings bank philosophy. As of 31 December 2017, Bernhard Spalt (chairman), Boris Marte and Franz Portisch were members of Erste Foundation’s management board. The supervisory board of ERSTE Foundation had nine members at the end of 2017, two of whom are also members of the supervisory board of Erste Group Bank AG.

Under article 15.1 of the articles of association, for the duration of its assumption of liability for all current and future debts in the event of default on payment by the company, the Erste Foundation is entitled, pursuant to Section 92 (9) of the Austrian Banking Act, to delegate up to one-third of the supervisory board members to be elected at the Annual General Meeting. Until now, the Erste Foundation has not exercised this right.

As of 31 December 2017, Erste Group had in relation to the ERSTE Foundation accounts payable of EUR 8.8 million (2016: EUR 3.0 million). In addition, no standard derivative transactions for hedging purposes were in place between Erste Group and the ERSTE Foundation as of the end of 2017 (2016: EUR 103.0 million). As of the end of 2017, the ERSTE Foundation held bonds issued by Erste Group Bank AG in the amount of EUR 10.2 million (2016: EUR 10.2 million), and Erste Group held no debt securities issued by the ERSTE Foundation (2016: EUR 0.3 million).

In 2017, the interest income of Erste Group for the reporting period amounted to EUR 0.3 million (2016: EUR 6.3 million) while the interest expenses amounted to EUR 0.5 million (2016: EUR 3.9 million), resulting from the said accounts receivable and accounts payable.

As of 31 December 2017 CaixaBank S.A. with headquarters in Valencia, Spain (was relocated from Barcelona beginning of October 2017), held a total of 42,634,248 (2016: 42,634,248) Erste Group Bank AG shares, equivalent to 9.92% (2016: 9.92%) of the share capital of Erste Group Bank AG. Antonio Massanell Lavilla (deputy chairman of CaixaBank S.A.) resigned his seat at the supervisory board of Erste Group Bank AG mid of September 2017. The other seat for which CaixaBank S.A. has a nomination right according to the shareholders agreement is occupied since the annual general meeting from 17 May 2017 by Jordi Gual Sole (chairman of CaixaBank S.A.).

In addition, the shareholders' agreement between CaixaBank S.A. and the ERSTE Foundation which had been in effect since 2009, was renewed on 15 December 2014 (Preferred Partnership Agreement). On the basis of this agreement, CaixaBank S.A. joined the ranks of the core shareholders, which include ERSTE Foundation as well as the savings banks, their foundations as well as Wiener Städtische Wechselseitige Versicherungsverein – Vermögensverwaltung – Vienna Insurance Group. As member of this syndicate, CaixaBank S.A. will abide by the recommendations of the ERSTE Foundation when electing new supervisory board members. Moreover CaixaBank S.A. gets the right to nominate a second member of the supervisory board.

In 2017 (for the financial year 2016), CaixaBank S.A. received a dividend of EUR 42.6 million (2016:EUR 21.3 million) based on its stake in Erste Group Bank AG.

Balances and off-balance exposures with related parties

	Dec 16		Dec 17	
in EUR million	Investments in subsidaries - not consolidated	Investments in associates and Investments in joint ventures	Investments in subsidaries - not consolidated	Investments in associates and Investments in joint ventures
Selected financial assets	**141**	**531**	**115**	**770**
Equity instruments	24	5	17	30
Debt securities	0	28	0	28
Loans and advances	117	498	98	711
Loans and advances with credit institutions	23	120	1	10
Loans and advances with customers	95	378	97	701
of which: Impaired selected assets	3	0	0	0
Selected financial liabilities	**49**	**135**	**40**	**118**
Deposits	49	135	40	118
Deposits from banks	0	14	0	10
Deposits from customers	49	120	40	107
Debt securities issued	0	0	0	0
Loan commitments, financial guarantees and other commitments given [notional amount]	27	154	36	335
of which: defaulted	5	0	1	0
Loan commitments, financial guarantees and other commitments received	0	0	0	0
Derivatives [notional amount]	0	0	0	0
Allowances and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	**3**	**0**	**2**	**0**

Expenses/Income generated by transactions with related parties

in EUR million	Dec 16		Dec 17	
	Investments in subsidaries - not consolidated	Investments in associates and Investments in joint ventures	Investments in subsidaries - not consolidated	Investments in associates and Investments in joint ventures
Interest Income	4	11	2	9
Fee and commission income	0	6	0	5
Dividend income	0	13	2	19
Realised gains on financial assets and liabilities not measured at fair value through profit or loss	0	0	0	0
Gains on derecognition of non-financial assets	0	0	0	3
Interest expenses	0	0	0	0
Fee and commission expenses	0	-2	-1	-2
Realised losses on financial assets and liabilities not measured at fair value through profit or loss	0	0	0	0
Losses on derecognition of non-financial assets	0	0	0	0
Increase during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	-7	-1	-1	-1
Decrease during the period in impairment and provisions for impaired debt instruments, defaulted guarantees and defaulted commitments	0	1	10	1

Transactions with related parties are done at arm's length.

Remuneration of management and supervisory board members

The remuneration paid to the management board in 2017 is as follows:

Fixed salaries

in EUR thousand	1-12 16	1-12 17
Andreas Treichl	1,475	1,475
Peter Bosek	700	700
Petr Brávek	700	700
Willibald Cernko (starting with 1 January 2017)	0	700
Andreas Gottschling (until 31 December 2016)	700	0
Gernot Mittendorfer	700	700
Jozef Síkela	700	700
Total	**4,975**	**4,975**

Until 31 January 2016, Peter Bosek was a management board member of the Holding as well as of Erste Bank Oesterreich. Therefore, the remuneration was split equally between both entities for that period.

Since the financial year 2010, the variable part of the management board's remuneration, including both cash payments and share-equivalents, is distributed over five years in accordance with legal requirements and is paid out only under certain conditions. Share-equivalents are not exchange-traded shares but phantom shares that are paid out in cash after a one-year vesting period based on defined criteria.

In 2017, performance-linked remuneration and share-equivalents were paid out or vested for the financial year 2016 and for previous financial years.

Performance-linked remuneration

	1-12 16				1-12 17			
	Upfront Bonus for performance period 2015		Deferred Bonus for previous performance periods		Upfront Bonus for performance period 2016		Deferred Bonus for previous performance periods	
	cash	share-equivalents	cash	share-equivalents	cash	share-equivalents	cash	share-equivalents
	in EUR tsd	in units	in EUR tsd	in units	in EUR tsd	in units	in EUR tsd	in units
Andreas Treichl	219	10,505	157	6,953	311	14,408	171	7,923
Peter Bosek	97	4,775	0	0	132	6,512	36	1,433
Petr Brávek	112	4,775	0	0	150	6,512	36	1,433
Willibald Cernko (starting with 1 January 2017)	0	0	0	0	0	0	0	0
Andreas Gottschling (until 31 December 2016)	118	5,094	4	168	n/a	n/a	n/a	n/a
Gernot Mittendorfer	120	4,775	27	1,424	156	6,349	63	2,857
Jozef Síkela	102	4,775	0	0	140	6,512	36	1,433
Total	**768**	**34,699**	**188**	**8,545**	**889**	**40,293**	**342**	**15,079**

Until 31 January 2016, Peter Bosek was a management board member of the Holding as well as of Erste Bank Oesterreich. Therefore, the remuneration was split equally between both entities for that period.

The share-equivalents were firmly promised due to the performance of the previous year. Pay-outs will be made in the year 2018 after the one-year vesting period. The valuation is based on the average weighted daily share price of Erste Group Bank AG of the year 2017 in the amount of EUR 32.97 (2016: EUR 24.57) per share.

Erste Group has implemented a bonus program for bonus payments higher than EUR 60,000.00. The actual bonus payments are divided into a first tranche in the following year and five deferred tranches in the subsequent years. The decision to pay out the first and deferred tranches depends on the results and the capital ratios of Erste Group Bank AG (further 'performance conditions') in the preceding business year (further 'performance period). This decision is taken by a remuneration committee. If in the current year the remuneration committee decides that the performance conditions in the performance period have not been fulfilled the tranches are cancelled.

The total amount of the bonus related to the previous performance period is decided by the remuneration committee in April of the current year. This decision also means that the first tranche will be paid out. The first tranche, depending on the bonus amount granted accounts for 40% or 60% of the total volume. The remaining part is split into 5 deferred tranches, each covering 8% or 12%. The payout decision for the first deferred tranche is taken in April after the performance period. The payout takes place after the one-year vesting period. The same logic applies to the remaining deferred tranches.

Both, the first tranche and the deferred tranches are split into two equal parts 50% of the bonuses are paid out in cash (the 'cash part') and 50% is paid out as phantom shares (the 'share-equivalents part'). The cash part will be paid out in May after the bonus payout decision is taken by the remuneration committee in a specific year. The share-equivalents part of the bonuses are paid with one year delay after the payout decision and they depend on the changes in the average Erste Group Bank AG share price between the year in which the payout decision of the tranche is taken and the performance period. E.g. if the second deferred tranche is 10,000 share equivalents (the number of the share equivalents is determined based on the average share price in the performance period then the actual amount of cash paid would be EUR 10,000 times the average price of the shares in the year the payout decision is taken (e.g. share price of 30 would result in EUR 300,000 cash amount = EUR 10,000 times 30).

The share equivalent part meets the definition of the cash-settled share based payment in IFRS 2. Under the standard an entity shall recognise an expense and a liability in a cash-settled share-based payment transaction when the services are received. With the deferred tranches the bank remunerates sustainable decisions taken by the bonus receivers in the performance period that impact the later business years. Thus the bank receives the full service, that is compensated with the first and the deferred tranches, and recognises the full bonus in the performance period as a liability in the estimated amount which will be decided by the remuneration committee in April of the following year. Only after the vesting of the bonus a liability according to IFRS 2 is recognized, which is measured in the future periods by using the average stock price.

The cash part of the bonuses meets the definition of other long-term employee benefits in IAS 19. Under the standard the current service cost is attributed to the periods in which the obligation to provide benefits arises which is the period in which services are rendered by the employees. As for the share-payment part, the full amount of bonus is recognised in the performance period in the estimated amount.

The amount of the liability is fixed in the next year. If the effect is significant, the liability is measured at present value discounted at a market yield of high quality corporate bonds.

The outstanding amount of liability related to the performance period 2016 and unpaid deferred tranches from the previous years was EUR 24.4 million (comparative figures are not available) for the share-equivalents part (IFRS 2). For the service year 2017 there is no liability assigned to the share-equivalents part (IFRS 2).

Other remuneration

in EUR thousand	1-12 16	1-12 17
Andreas Treichl	1,132	644
Peter Bosek	132	136
Petr Brávek	133	136
Willibald Cernko (starting with 1 January 2017)	0	129
Andreas Gottschling (until 31 December 2016)	164	0
Gernot Mittendorfer	134	137
Jozef Síkela	153	135
Total	**1,848**	**1,317**

The item 'other remuneration' comprises pension fund contributions, contributions to employee provision funds (for new-type severance payments) and remuneration in kind.

The remuneration of the members of the management board represented 0.3% (2016: 0.3%) of the total personnel expenses of Erste Group.

In 2017, EUR 2,097,781.93 (2016: EUR 2,892,922.18) was paid in cash and 12,894 (2016: 8,390) share-equivalents were assigned to former members of the management bodies and their dependents. The remuneration of Andreas Gottschling for 2016 are also included.

Principles governing the pension scheme for management board members. Members of the management board participate in the defined contribution pension plan of Erste Group on the basis of the same principles as employees. For one member of the management board, compensatory payments have to be made to the pension fund in case the management board member's tenure ends before he reaches the age of 65 by no fault of the member.

Principles governing vested benefits and entitlements of management board members in case of termination of the position. Regarding vested benefits and entitlements of management board members in the event of termination of their position, the standard legal severance benefit provisions of section 23 of the Austrian Salaried Employees Act (Angestelltengesetz) still apply to one member of the management board. All other members of the management board are not entitled to receive any severance benefits.

The remuneration granted to the management board members complies with the banking rules on management remuneration.

Breakdown of supervisory board remuneration

in EUR thousand	1-12 16	1-12 17
Supervisory board compensation	664	691
Meeting fees	243	259
Total	**907**	**950**

In 2017, the members of the supervisory board of Erste Group Bank AG were paid EUR 950.2 thousand (2016: EUR 907.4 thousand) for their board function. The following members of the supervisory board received the following remuneration for their board function in fully consolidated subsidiaries of Erste Group Bank AG: Friedrich Rödler EUR 86,700.00, Jan Homan EUR 17,900.00, Gunter Griss EUR 63,800.00, Maximilian Hardegg EUR 63,953.00, Brian D. O'Neill EUR 51,000.00 und John James Stack EUR 96,675.00.

Pursuant to the decision at the Annual General Meeting of 17 May 2017, the supervisory board adopted in its meeting immediately held after the end of the Annual General Meeting the following remuneration structure for the financial year 2016:

in EUR	Number	Allowance per person	Total allowance
President	1	100,000	100,000
Vice Presidents	2	75,000	150,000
Members	9	50,000	450,000
Total	**12**		**700,000**

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

Banking transactions with key management employees and persons and companies related to key management employees

As of the end of 2017, loans and advances granted to members of the management board and supervisory board totalled EUR 2,478 thousand (2016: EUR 2,404 thousand). Deposits of members of the management board and supervisory board at Erste Group amounted to EUR 7,184 thousand (2016: EUR 4,296 thousand) in total. As of 31 December 2017, members of the management and supervisory board held bonds issued by Erste Group in the amount of EUR 688 thousand (2016: EUR 366 thousand). Loan commitments and financial guarantees, issued in favour of members of the management and supervisory board totalled EUR 3,908 thousand (2016: EUR 4,231 thousand) as of the end of 2017. From banking transactions with members of the management board and supervisory board Erste Group received interest income and fee income of EUR 39 thousand (2016: EUR 53 thousand) in total, and paid interest expense of EUR 12 thousand (2016: EUR 33 thousand).

Loans and advances to close family members of key management employees and companies over which key management employees have control or significant influence (hereinafter referred to 'other related parties') totalled EUR 899 thousand (2016: EUR 15,708 thousand) as of 31 December 2017. As of the end of 2017, deposits of other related parties at Erste Group amounted to EUR 3,421 thousand (2016: EUR 2,755 thousand) in total. As of 31 December 2017 other related parties held bonds issued by companies of Erste Group in the total amount of EUR 12,440 thousand (2016: EUR 10,267 thousand). Loan commitments and financial guarantees, issued in favour of other related parties totalled EUR 798 thousand (2016: EUR 316 thousand) as of the end of 2017. From banking transactions with other related parties Erste Group received interest income and fee income of EUR 34 thousand (2016: EUR 274 thousand) in total, and paid interest expense of EUR 23 thousand (2016: EUR 47 thousand).

The applicable interest rates and other terms (maturity dates and collateral) represent market conditions.

41. Collaterals

The following assets were pledged as collateral for liabilities.

in EUR million	Dec 16	Dec 17
Loans and advances to credit institutions	0	53
Loans and advances to customers	18,440	14,841
Trading assets	53	284
Financial assets - at fair value through profit or loss	0	0
Financial assets - available for sale	1,254	813
Financial assets - held to maturity	1,379	1,348
Total	**21,126**	**17,339**

The financial assets pledged as collateral consist of loan receivables, bonds and other interest-bearing securities.

Collaterals were pledged as a result of repo transactions, refinancing transactions with the European Central Bank, loans backing issued mortgage bonds and other collateral arrangements.

The fair value of collateral received which may be repledged or resold even without the security provider's default was EUR 8,387.7 million (2016: EUR 3,654.4 million). Collateral with fair value of EUR 867.7 million (2016: EUR 253.5 million) was re-sold. Collateral with fair value of EUR 57.2 million (2016: EUR 132.2 million) was repledged. The bank is obliged to return the resold and repledged collateral.

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

	Dec 16		Dec 17	
in EUR million	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	0	0	0
Trading assets	35	29	190	164
Financial assets - at fair value through profit or loss	0	0	0	0
Financial assets - available for sale	446	440	106	103
Financial assets - held to maturity	575	542	804	772
Total - repurchase agreements	**1,055**	**1,011**	**1,100**	**1,040**
Securities lendings				
Loans and advances to credit institutions	0	0	0	0
Loans and advances to customers	0	0	0	0
Trading assets	22	0	52	0
Financial assets - at fair value through profit or loss	0	0	0	0
Financial assets - available for sale	232	0	650	0
Financial assets - held to maturity	339	0	764	0
Total - securities lendings	**593**	**0**	**1,467**	**0**
Total	**1,648**	**1,011**	**2,567**	**1,040**

The transferred financial instruments consist of bonds and other interest-bearing securities.

The total amount EUR 2,412.4 million (2016: EUR 1,648.1 million) represents the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledge.

Liabilities from repo transaction in the amount of EUR 1,039.8 million (2016: EUR 1,010.5 million), which are measured at amortised cost, represent an obligation to repay the borrowed funds.

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

in EUR million	Dec 16 Fair value of transferred assets	Fair value of associated liabilities	Net position	Dec 17 Fair value of transferred assets	Fair value of associated liabilities	Net position
Loans and advances to credit institutions	0	0	0	0	0	0
Loans and advances to customers	0	0	0	0	0	0
Trading assets	35	29	6	190	164	26
Financial assets - at fair value through profit or loss	0	0	0	0	0	0
Financial assets - available for sale	446	440	6	106	103	3
Financial assets - held to maturity	588	542	46	832	772	60
Total	**1,068**	**1,011**	**58**	**1,128**	**1,040**	**88**

43. Offsetting of financial instruments

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

Financial assets subject to offsetting and potential offsetting agreements

Dec 17				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial assets (gross)	Amounts offset (gross)	Financial assets in balance sheet (net)	Financial instruments	Cash collateral received	Non-cash financial collateral received	Net amount after potential offsetting
Derivatives	5,611	-1,393	4,217	2,203	1,558	0	457
Reverse repurchase agreements	7,194	0	7,194	0	15	7,107	72
Total	**12,805**	**-1,393**	**11,411**	**2,203**	**1,573**	**7,107**	**529**

Financial liabilities subject to offsetting and potential offsetting agreements

Dec 17				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in balance sheet (net)	Financial instruments	Cash collateral provided	Non-cash financial collateral provided	Net amount after potential offsetting
Derivatives	4,501	-1,207	3,294	2,200	244	35	815
Repurchase agreements	2,063	0	2,063	0	2	2,058	3
Total	**6,564**	**-1,207**	**5,357**	**2,200**	**246**	**2,093**	**818**

Financial assets subject to offsetting and potential offsetting agreements

Dec 16				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial assets (gross)	Amounts offset (gross)	Financial assets in balance sheet (net)	Financial instruments	Cash collateral received	Non-cash financial collateral received	Net amount after potential offsetting
Derivatives	7,275	-1,376	5,899	3,352	1,549	15	984
Reverse repurchase agreements	1,218	0	1,218	0	0	1,213	5
Total	**8,493**	**-1,376**	**7,117**	**3,352**	**1,549**	**1,228**	**989**

Financial liabilities subject to offsetting and potential offsetting agreements

Dec 16				Potential effects of netting agreements not qualifying for balance sheet offsetting			
in EUR million	Financial liabilities (gross)	Amounts offset (gross)	Financial liabilities in balance sheet (net)	Financial instruments	Cash collateral provided	Non-cash financial collateral provided	Net amount after potential offsetting
Derivatives	5,750	-1,093	4,657	3,352	422	25	858
Repurchase agreements	1,837	0	1,837	0	0	1,829	8
Total	**7,587**	**-1,093**	**6,494**	**3,352**	**422**	**1,854**	**866**

An analysis in 2017 showed that for derivatives not all existing netting agreements as well as collaterals received and provided have been considered in the previous year. The table for 2016 was adapted accordingly.

Erste Group undertakes a part of interest rate derivative and credit derivative transactions via Clearing Houses. These derivatives and related variation margin balances fulfil the requirements for balance sheet offsetting in accordance with the criteria described in chapter 'B. Significant accounting policies'. The impact of offsetting is shown in the column 'Amounts offset'. The net position between the offset derivative amounts EUR 186 million (2016: EUR 283 million) is further offset with variation margin balances presented under balance sheet items 'Cash and cash balances' in amount EUR 32 million (2016: EUR 2 million) and 'Financial liabilities measured at amortised cost ', sub-item 'Deposits from banks' in amount of EUR 218 million (2016: EUR 285 million).

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

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

44. Risk management

44.1 Risk policy and strategy

A core function of each bank is taking risks in a conscious and selective manner and professionally steer 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 and tailored to its business and risk profile. This framework is based on a clear risk strategy that sets out general principles according to which risk taking must be performed across the group. The risk strategy is consistent with the business strategy and incorporates the expected impact of external environment on the planned business and risk development.

The risk strategy defines the current and the targeted risk profile for the main risk types and 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 clear defined governance structure. This structure applies also monitoring the risk appetite, additional metrics, as well as escalation of limit breaches.

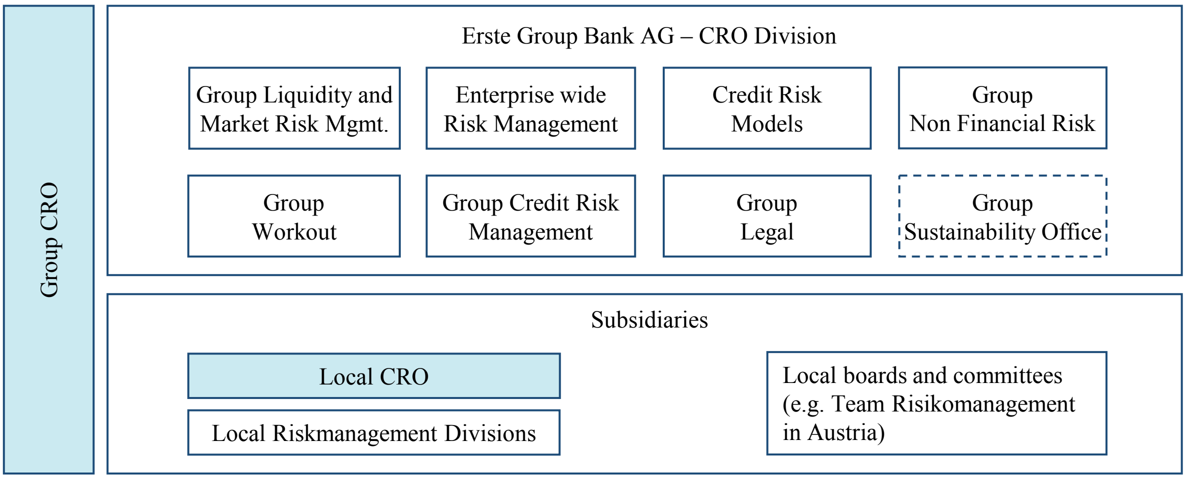
In 2017, management has continued to steer critical portfolios, including active management of non-performing exposures to further strengthen the risk profile. This has been particularly demonstrated by the continuous improvement of the credit quality and the ongoing decrease of non-performing loans and risk costs.

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

44.2 Risk management organisation

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

The following chart presents an overview of Erste Group's risk management organization:



In 2017, it has been decided to streamline the Group CRO area's structure aiming to reduce complexity and to ensure more efficient processes and clear responsibilities, with focus on risk types. The changes addressed the following:
- Group Liquidity and Market Risk Management was founded to cover all related topics with respect to liquidity risk and market risk;
- Risk Methods and Models and Group Validation were integrated into the new division Credit Risk Models;
- Group Retail and SME Risk Management was integrated into Group Credit Risk Management;
- Group Sustainability Office was moved in Group CRO area as a staff unit;
- Group EGI Real Estate Risk Management was integrated into existing dedicated functions and structure, i.e. Group Workout and Group Credit Risk Management;
- Group Risk Operating Office has been shifted to the COO (Chief Operating Officer) divisions.

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

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

At group level, the management board is supported by several divisions established to perform operating risk control functions and exercise strategic risk management responsibilities. The following risk management functions report directly to the Group CRO:
- Group Liquidity and Market Risk Management;
- Enterprise wide Risk Management;
- Credit Risk Models;
- Group Non Financial Risk;
- Group Workout;
- Group Credit Risk Management;
- Group Legal;
- Group Sustainability Office;
- Local Chief Risk Officers.

Group Liquidity and Market Risk Management
The newly formed division Group Liquidity and Market Risk Management (GLMRM) comprises all market and liquidity risk functions. 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. 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.

Enterprise wide Risk Management

Enterprise wide Risk Management (ERM) enables an increased focus on holistic risk management and ensures comprehensive cross-risk group-wide risk portfolio steering, monitoring, analysis, and reporting. ERM drives key strategic initiatives to establish greater cohesion between risk strategy (including risk appetite and limit steering) and operational execution. Furthermore, ERM works together with all risk functions and key divisions to strengthen oversight group-wide risk to cover capital, credit, liquidity, market, operational, and business risk. The Enterprise wide Risk Management division consists of the departments Credit RWA Management and Simulation, Group ICAAP, Group Recovery and Resolution Planning, Risk Cost Management, and Risk Monitoring and Reporting.

The Credit RWA Management and Simulation department is responsible for the group-wide management and steering of risk-weighted assets for credit risk (credit RWA) according to the Basel framework as well as for carrying out credit risk stress tests according to the regulatory stress testing framework. The unit Credit RWA Management and Control performs the central credit RWA computation (Pillar 1/Pillar 2), the analysis and steering as well as the control of the group-wide credit RWA. The Credit RWA Methodology and Projects team's main responsibilities are the methodology of credit RWA calculation, the provision and maintenance of an optimised credit RWA calculation infrastructure as well as the implementation of regulatory changes. The main tasks of the unit Credit Risk Simulations are the simulation of the impact on credit RWA resulting from planned changes in the RWA calculation and the preparation of a credit risk stress testing framework as part of the overall ERM framework that is applied for the optimisation of the Group's risk/return profile.

The department Group ICAAP (Internal Capital Adequacy Assessment Process) encompasses next to risk planning and stress testing also ICAAP methods and limit steering. The responsibility of the unit Risk Planning and Stresstesting includes design, governance, organization and implementation of the risk planning and stress testing processes as well as governance, design and execution of the risk concentration analysis. Risk planning processes ensure delivery of the risk side inputs to regular planning rounds and cover monthly and quarterly forecasts of selected key risk indicators. With the ICAAP framework the department Group ICAAP supports the management in ensuring adequate capital capacity that reflects the nature and magnitude of the Group's risk portfolio. The mission of the unit ICAAP Methods and Limit Steering is to maintain and further enhance a robust enterprise wide risk management framework as well as to compile the operational components of the Group's risk strategy.

Group Recovery and Resolution Planning is responsible for the annual update of the recovery plan of Erste Group and coordinates the departments involved. This department supports entities of the Group in recovery planning and aligns local recovery plans with the group recovery plan. Moreover, it provides information required for the resolution plan to the resolution authorities. For this purpose, the unit delivers data templates on a regular basis, participates in workshops with the authorities and coordinates all departments and group entities involved.

Risk Cost Management is responsible for group wide standards in determining credit risk provisions and pricing for credit risk as well as determining and monitoring credit risk provisions for Erste Group Bank AG. These responsibilities include preparation for compliance with IFRS9 impairment requirements effective from 1 January 2018. The Risk Cost Governance team is responsible for group policies for determining credit risk provisions and for policies setting out and for supervision of the back testing of credit risk provisions as well as policies for setting credit risk components in pricing.

Risk Monitoring and Reporting is responsible for the coordination of complex risk reports as well as for the generation of credit risk relevant reports/information for the bank's senior management, regulators, external auditors and rating agencies, at Group and Erste Group Bank AG level. Beyond these recurring tasks the unit is also involved in change the bank activities: implementation of new regulatory and financial reporting requirements, change management process and maintenance of risk reporting framework and tools as well as implementation of dedicated projects for improving data quality and refining data granularity. Furthermore, this department provides group-wide governance for risk data aggregation and risk reporting practices. Acting within its responsibilities, Risk Monitoring and Reporting supports group-wide risk steering and monitoring. Group Credit Risk Reporting, one of the four teams of the department, is in charge with data extraction, consistency and plausibility checks, analysis and reporting to senior management, regulators, auditors, and rating agencies. Its tasks also comprise the coordination and preparation of comprehensive risk reports covering all risk types. Furthermore, this unit is involved in the implementation of regulatory and financial reporting requirements. The Analytics, Processes and Project team is responsible for the change management process and the maintenance of the Group's standardised credit risk reporting systems and tools. Risk Data Steering is a dedicated team aim to develop a group-wide aligned central data management process from data origination to reporting, with special focus on credit risk. Group Retail Risk Analytics ensures oversight and independent management control through providing regular retail risk management information. This unit defines the operative reporting requirements across the Group, monitors and analyses the retail loan portfolio, and identifies risk mitigation measures.

Credit Risk Models

The Credit Risk Models division covers development and validation responsibilities in the area of credit risk. It is responsible for all the policies, standards, and procedures across the full credit risk model lifecycle. This area provides adequate risk measurement methodologies and tools as well as an appropriate framework for relevant risk policies.

Model development follows subsidiarity model that means responsibilities are split depending on model perimeter. Local models are developed locally following group standards and group-wide models are developed centrally. Model validation is fully centralized function, independent in line with regulatory requirements.

Model validation is responsible to independently challenge model development and make certain all IRB models used by the Group are fit for purpose. They are responsible for verifying that models are performing as expected, in line with their design objectives, and intended business uses as well as in line with regulatory requirement and internal group standards. It is fully centralized function. That means all validation responsibilities are bundled within the validation unit of Erste Bank Group AG. Subsidiaries remain responsible for the results and take care of adequate measures. This design will ensure independence and control of model validation as well as enforce adherence to uniform standards.

Group Non Financial Risk

Group Non Financial Risk (Group NFR) is responsible for the management of reputational and operational risks including compliance risks, IT and communication technology risks, conduct risks, model risks, and legal risks as well as security issues. These tasks support and protect the first line activities with special focus on the business areas. The division consists of three departments Group Compliance, Group Security Management, and Group NFR Governance and Operational Risk.

Group Compliance is responsible for the management of risks stemming from the non-compliance with regulatory obligations, in particular concerning money laundering, terrorism financing, financial sanctions, market abuse, fraud and rules of conduct.

Group Security Management protects bank personnel and assets (including information assets), and preserves the safety and security of these, and is responsible for the definition of security standards, quality assurance and the monitoring and further development of security-related issues at Erste Group, e.g. cybersecurity.

The department Group NFR Governance and Operational Risk ensures the effective, integrative and holistic implementation of the NFR objectives. This comprises the steering and controlling, alignment of procedures as well as support regarding regulatory requirements and their impact on NFR. Providing a service for a robust NFR process and the identification of synergies complete the spectrum of tasks of NFR governance. The unit Operational Risk acts as the central and independent risk management unit for identification, measurement and steering of operational risk within Erste Group.

Group Workout

Group Workout (GWO) acts as single point of contact for the group's NPL strategy in line with the overall strategy of the group and all group related initiatives on NPLs and NPL management. It is responsible for the implementation of the group NPL strategy, the definition of strategic targets on group level, and ensures that these targets are met on by means of monitoring, reporting, and steering. It coordinates and communicates any group-wide initiatives and requirements to the subsidiaries. Furthermore, Group Workout assumes group-wide responsibility for management of clients allocated to the business segments Large Corporates, Commercial Real Estate, and Other Corporate that are rated non-performing or are specifically defined as workout clients.

It undertakes the direct workout management function for corporate workout clients of Erste Group Bank AG and Erste Group Immorent GmbH. Additionally, Group Workout acts as a competence centre by issuing expert opinions for corporate workout clients of the subsidiaries exceeding local management's approval level, and by managing the divestment processes of NPLs, as an alternative to client-by-client workout management. It also ensures the management of repossessed assets (final stage of the problem assets management), setting-up and implementing the strategy for repossessed real estate asset management).

Based on regulatory requirements, Group Workout is responsible for generating group-wide workout policies, the design of guidelines for the preparation of local workout reports and the preparation of Erste Group Bank AG workout reports. Additionally, the division organizes expert training programs as well as workshops to ensure knowledge transfer across Erste Group entities. Another important task of the division is its responsibility for group-wide collateral management. This includes the set-up of standards for collateral management, the framework for a group collateral catalogue, and principles for collateral evaluation and revaluation.

Group Credit Risk Management

Group Credit Risk Management is the operative risk management function for both retail and non-retail portfolios (medium-sized enterprises, large corporate and real estate customers, as well as institutional clients and counterparties). In addition, the division is responsible for setting standards and steering the group's non-retail and retail lending portfolios. It ensures that only credit risk which is in line with the risk appetite, risk strategy, and limits set by ERM are taken on the books of Erste Group. Group Credit Risk Management consists of six departments Group EBA - Erste Business Analysis, Credit Underwriting Corporates, Credit Underwriting Financial Institutions and Sovereigns, Credit Underwriting Real Estate, Corporate Portfolio Monitoring and Management, and Group Portfolio Steering Corporate and Retail.

The department Group EBA - Erste Business Analysis defines group-wide standards for company analyses, generates these analyses for Erste Group Bank AG and Erste Group Immorent GmbH, and is responsible for the group financial analysis tool SABINE. Corporate Rating Unit Desk, as part of Group EBA, acts as single point of contact for all operative issues related to corporate ratings within Group Credit Risk Management.

Credit Underwriting Corporates is responsible for the group-wide underwriting of credit risks associated with large corporate customers and for the management of credit applications and training activities. It is the first line risk management unit for all corporate business booked in Erste Group Bank AG and, above defined thresholds, the second line risk management unit for corporate business booked in Erste Group's subsidiaries and the 'Haftungsverbund'.

Credit Underwriting Financial Institutions and Sovereigns is responsible for ratings, analysis, operative credit risk management (risk assessment, approval of transactions and limits, policies, watch lists and early warning systems) and workout activities related to financial institutions (banks, insurance companies and funds), regional governments, sovereigns, and structured products.

Credit Underwriting Real Estate is responsible for the underwriting of credit risks in the real estate business. The area of responsibility includes all real estate customers doing international business as well as the local and regional large-volume business of Erste Group's subsidiaries with corporate customers in the real estate sector. This organisational unit is the first line risk management unit for all real estate lending and leasing business of Erste Group Bank AG and Erste Group Immorent GmbH as well as the second line risk management unit for business booked in banking subsidiaries and exceeding defined thresholds.

Corporate Portfolio Monitoring and Management is responsible for corporate risk policies and procedures along the credit process, the optimization of corporate credit processes and the operative monitoring of credit risk (counterparty and country limit management).

Group Credit Portfolio Steering Corporate and Retail is responsible for the group-wide steering of the corporate and retail lending portfolios. This includes the definition of the retail lending framework, the operative corporate and retail portfolio analytical framework as well as the group-wide early warning system and credit monitoring requirements for the corporate portfolio. In the latter case, it also ensures the operative implementation and management in the parent company Erste Group Bank AG. In addition, this department conducts regular in-depth portfolio reviews together with risk management units of subsidiaries in order to identify and analyse portfolio dynamics.

Group Legal

Group Legal, with its three sub-units Banking Legal, Markets Legal, and Corporate Legal, acts as the central legal department of Erste Group Bank AG. This division provides legal support and counsel for the management board, the business units and the central functions, and mitigates legal risk. It also attends to legal sourcing and to dispute resolution and litigation.

Legal support for the business activities of the banking subsidiaries in the respective jurisdictions in which they operate is performed by separate locally established legal departments. While reporting to the local management, typically the local CRO, the heads of the local legal department also report to the head of Group Legal in a functional dotted line matrix responsibility.

Group Sustainability Office

Due to the growing impact of non-financial issues on the reputation of a bank, Group Sustainability Office (GSO) became a staff unit within the CRO division on June 1 2017. The main tasks of the GSO include implementing the diversity and environmental policy, adapting and communicating the Erste Group 'Code of Conduct', and further developing the 'Time Bank' in Austria (a corporate volunteering platform for co-operation between NGOs and Erste employees). In addition, the GSO is involved in the evaluation of non-financial risks in connection with corporate business, and is the main contact for sustainability ratings and the Erste Group sustainability report.

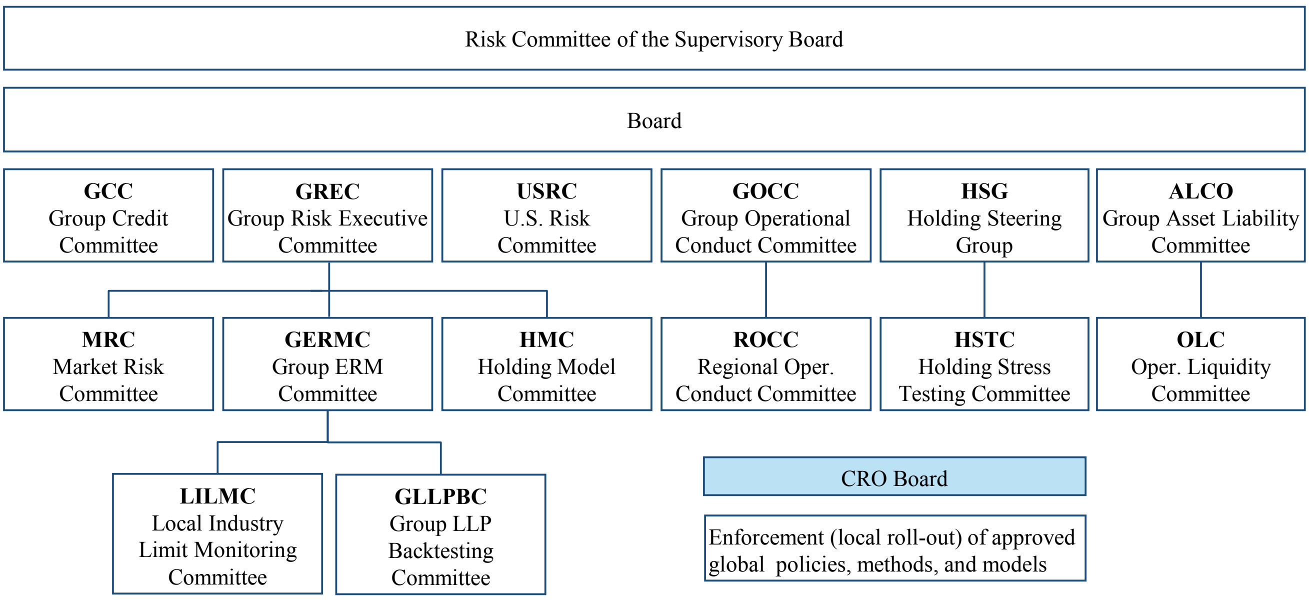
Local Chief Risk Officers

Each subsidiary has separate risk control and management units with responsibilities tailored to the local requirements, which are headed by the respective local chief risk officer (Local CRO).

Group coordination of 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:



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.

In addition, it is responsible for supervising the risk management of Erste Group Bank AG. The risk committee meets regularly. As the central risk control body, the risk committee is regularly briefed on the risk status across all risk types.

The **CRO Board** is responsible for the consistent coordination and implementation of risk management activities within Erste Group, including joint liabilities. The CRO Board consists of the Group CRO, the chief risk officers of major subsidiaries within Erste Group and the senior area managers of the CRO division of Erste Group Bank AG. Chaired by the Group CRO, the CRO Board is responsible for group-wide coordination of risk management and for ensuring the roll-out of group policies to the subsidiaries.

The **Group Credit Committee** (GCC) is the supreme operative decision-making body for approvals of credit risks according to the existing regulations. Based on the advice of GCC, decisions of significant exposures and extended risks are decided by the risk management board of the supervisory committee. The GCC is headed by the Group CRO and comprises the chairman of Corporates & Markets, the head of Group Credit Risk Management, the head of Group Workout, and the head of the requesting business line. Each subsidiary equips their own local credit committee established by the same principles.

The **Group Risk Executive Committee** (GREC) is the central forum for all joint resolutions and acknowledgements in the Erste Group Bank AG CRO division. Its purpose is the division-wide coordination of all the risk management functions of Erste Group Bank AG. It discusses and decides on key risk management issues and overarching regulatory topics. In particular, it defines the division's strategy and ensures implementation of common risk management standards (e.g. pertaining to processes, systems, reporting and governance).

The **Group Operational Conduct Committee** (GOCC) is an executive-level committee responsible for enforcement of the Code of Conduct as well as the management of non-financial risks. Moreover, the GOCC serves as an escalation and decision-making committee for the Regional Operational Conduct Committee (ROCC).

The **United States Risk Committee** (USRC) has been established to meet the requirements of the United States Federal Reserve Board (FRB) regulation, which has been in force since 1 July 2016. The objective is to involve the management board as key governance and control function for the U.S. trade portfolio which has been specified in the Combined U.S. Operations (CUSO) guidance.

The **Holding Steering Group** (HSG) is responsible for the monitoring of the group's Risk Appetite Statement (especially with regard to capital and liquidity adequacy, under both normal and stressed conditions), the review of proposed group and local capital measures and the proposal of remediation actions. Furthermore, it monitors recovery triggers and indicators and, when appropriate advises the management board to trigger recovery governance. The oversight of the implementation of the risk-return strategy and the proposal of actions to reinforce the risk-return steering also belong to the HSG's tasks and responsibilities.

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

The **Group Asset/Liability Committee** (ALCO) manages the consolidated Erste Group balance sheet, focusing on trade-offs between all affected consolidated balance sheet risks (interest rate, exchange rate and liquidity 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 responsible for the day-to-day management of the global liquidity position of Erste Group. It analyses the liquidity situation of Erste Group on a regular basis and reports directly to the ALCO. It also proposes measures to the ALCO within the scope of the management policies and principles laid down in the Liquidity Risk Management Rule Book. Furthermore, members of the Group OLC are points of contact for other departments or Erste Group members for liquidity-related matters. Each local bank has its own local operational liquidity committee.

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

The **Group ERM Committee** (GERMC) is the sole forum for all joint decisions and acknowledgements in the Enterprise wide Risk Management (ERM) area across all Erste Group entities and Erste Group Bank AG. Its purpose is the group-wide coordination of the ERM functions, in particular on ICAAP and economic capital, stress testing, RWA, risk appetite and limit steering, risk strategies and alignment of risk input for capital planning as well as pricing/provisioning. Furthermore, the GERMC ensures alignment on key ERM topics and the group-wide implementation of common ERM standards. The Group Loan Loss Provisions Back testing Committee (GLL-PBC), as a subcommittee of GERMC, agrees and approves back-testing results and remedial actions. In addition the Local Industry Limit

Monitoring Committee (LILMC), as a subcommittee of the GERMC, is the steering and monitoring body to ensure comprehensive control of local Industry limits and oversight of their breaches as well as any escalations to the Credit and/or Group ERM Committee.

The **Holding Model Committee** (HMC) is the steering and control body for the model development, validation and monitoring. All new or changed models and model related aspects (e.g. risk parameters, group-wide methodology standards) are reviewed by the Holding Model Committee and require its approval.

The **Regional Operational Conduct Committee** (ROCC) decides on business applications and implements group-wide corrective measures to steer non-financial risks (NFR). This is done based on a risk-return evaluation. Furthermore, ROCC defines group-wide standards for non-financial risk topics. 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.

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.

44.3 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.

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 at all times adequate capital for the nature and magnitude of the bank's risk profile. The framework is tailored to the Erste Group's business and risk profile and reflects the strategic goal of protecting shareholders and senior debt holders while ensuring the sustainability of the organisation.

ERM framework is a modular and comprehensive management and steering system within Erste Group and is 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, concentration risk management, and stress testing;
- risk-bearing Capacity Calculation (RCC);
- 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

Erste Group defines the maximum level of risk it is willing to accept in order to deliver its business objectives within the Group's risk appetite (Group RAS). The Group RAS acts as a binding constraint to Erste Group's business activities within its overall risk appetite through triggers and limits approved by the management board. The Group RAS consists of a set of core risk metrics providing quantitative direction for overall risk-return steering and qualitative statements in the form of key risk principles that form part of guidelines for managing risks. The core risk metrics are set as ultimate boundaries for the group risk-return target setting and form a key input into the annual strategic planning / budgeting process, creating a holistic perspective on 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 maintaining 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 sets its RAS on a forward-looking basis. External constraints such as regulatory requirements set the 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 inside 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, based on the Group RAS, supporting metrics and principles are defined by material risk type in the group risk strategy. 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.

The Group RAS 2017 was approved by the management board and the supervisory board. The group further developed an aggregated and consolidated risk appetite dashboard (RAS Monitor) illustrating the group's and local entities' risk profile developments by comparing the risk exposure and risk limits. The RAS Monitor is regularly presented to the Risk Committee of the supervisory board and supervisory board to support its review, oversight, and monitoring of the group risk profile and the risk profile of its local entities.

The Group RAS is also broken down to local entities. The local RAS is approved by the local management board to ensure alignment with local regulatory requirements, as well as by the management board to ensure compliance with the Group RAS. The group may also decide to include further compulsory constraints and limits in the local RAS to ensure alignment with the Group RAS and Group Risk Strategy.

The Group RAS framework streamlines core capital, liquidity, and risk/earnings metrics as well as reinforces key risk principles that form part of guidelines for managing risks. In addition, the Group RAS strengthens internal governance responsible for oversight of the risk profile development, embeds RAS into strategic planning and budgeting processes as well as day-to-day management, and ensures timely management actions in case of adverse developments.

Portfolio and risk analytics

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

Risk materiality assessment

The Risk Materiality Assessment (RMA) determines the materiality of risk types and consequently the risk profile across Erste Group and its entities. RMA is an annual process with the purpose of systematically identifying new and assessing all existing material risks for Erste Group. 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 an 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 covers 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 risk materiality assessment as well as to the Risk Appetite Statement and to the setting/calibration of Erste Group's limit system.

The result of the concentration analysis helps also to detect major risks within the risk materiality assessment for developing the RAS as well as for defining and calibrating the limit system of Erste Group.

Stress testing

Modelling sensitivities of the group's assets, liabilities and profit or loss provide management steering impulses and help to optimise Erste Group's risk-return profile. Stress tests help to factor in severe but plausible scenarios providing further robustness to the 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 in addition impacts on the associated volumes of assets and liabilities as well as on profit and loss sensitivities. In addition to the standard scenario driven stress testing exercises, reverse stress tests are performed to identify a scenario or a combination of scenarios in which viability of the current business model can be questioned.

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

Results from Erste Group's comprehensive stress tests are analysed in order to decide on appropriate measures. The Comprehensive Stress Test performed in 2017 indicated no breach of stressed RAS triggers.

Additionally, Erste Group will participate in the European-Wide Stress Test executed by the European Central Bank (ECB) in cooperation with the European Banking Authority (EBA) in 2018.

Risk-bearing capacity calculation

The Risk-bearing Capacity Calculation (RCC) defines the capital adequacy required by the Internal Capital Adequacy Assessment Process (ICAAP). In contrast to the regulatory view of Pillar 1, the RCC is based on an economic view and determines whether the bank has sufficient capital for covering all risks it is exposed to. Based on the results of the RMA, economic capital is considered for all relevant risk types. The aggregated capital requirement is then compared to internally available capital, as reflected by the coverage potential. The integral forecast, risk appetite limit and a traffic light system support management in its discussions and decision processes.

The traffic light system embedded in Erste Group's RCC helps to alert the management in case there is a need to decide on, plan and execute actions either to replenish the capital base or to take measures for reducing risk.

The management board and risk management committees are briefed on a quarterly basis in relation to the results of the capital adequacy calculation. The report includes movements in risks, available capital and coverage potential, consideration of potential losses in stress situations, the degree of the risk limit utilisation and the overall status of capital adequacy.

Besides the Pillar 1 risk types (credit, market and operational risks), in the context of Pillar 2, interest rate risk in the banking book, foreign exchange risk arising from equity investments, credit spread risk in the banking book, risk from foreign currency loans, risk from repayment vehicles as well as business and strategic risk are explicitly considered within the economic capital requirement via internal models. During 2017 the utilisation of the economic capital was between 55% and 57%. The methodologies that are applied for the different risk types are diverse and range from historical simulations and other value at risk approaches to the regulatory approach for residual portfolios. Moreover, calculations for portfolios under the Standardised Approach for credit risk are extended by risk parameters from the Internal Ratings-Based approach in order to give a better economic view.

In addition to the Risk-bearing Capacity Calculation, liquidity, concentration and macroeconomic risks in particular are managed by means of a proactive management framework that includes forward-looking scenarios, stress testing, trigger levels and traffic light systems.

Credit risk accounts for approximately 67% of the total economic capital requirement. Reflecting Erste Group's conservative risk management policy and strategy, the group does not offset diversification effects between these three risk types. The economic capital requirement for unexpected losses is computed on a one-year time horizon with a 99.95% confidence level, which reflects the implied default risk as well as Erste Group's conservative approach and high risk management standards.

The capital or coverage potential required to cover economic risks and unexpected losses is based on Basel 3 fully loaded regulatory own funds adjusted by held-to-maturity reserves and the year-to-date profit. The coverage potential must be sufficient to absorb unexpected losses resulting from the group's operations at any point in time.

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.
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.

Risk-weighted asset management

As risk-weighted assets (RWA) determine the actual regulatory capital requirement of a bank and influence the capital ratio as a key performance indicator, particular emphasis is devoted to meeting targets and to the planning and forecasting capacity for this parameter. Insights from RWA analyses are used to improve the calculation infrastructure and the quality of input parameters and data.

There is a process in place for tracking developments with RWA targets, forecasting their future development and thereby defining further targets. The management board is also informed about the current status, and findings are taken into account in the context of Erste Group's regular steering process. Furthermore, RWA targets are included in the Risk Appetite Statement.

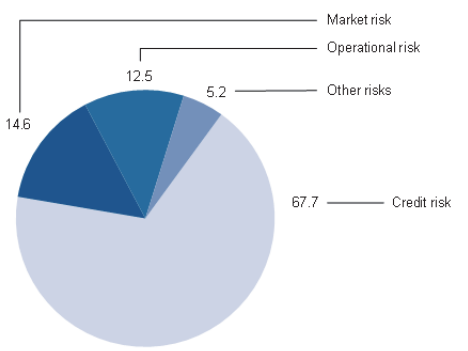
Capital allocation

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

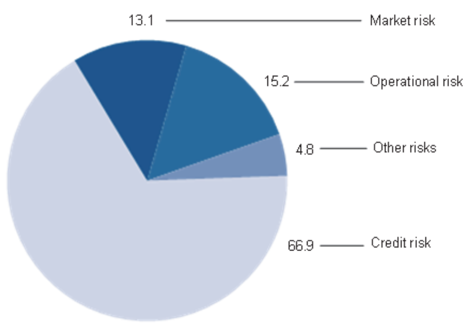
Erste Group's aggregate capital requirement by risk type

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

Economic capital allocation in %, 31.12.2016



Economic capital allocation in %, 31.12.2017



Other risks include business and strategic risk.

Leverage ratio

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

The calculation and disclosure of the leverage ratio is based on the European Commission's delegated regulation ((EU) 2015/62 of 10 October 2014), which was published in the Official Journal of the European Union on 17 January 2015.

Recovery and resolution plans

In compliance with the Austrian Banking Recovery and Resolution Law ('Bundesgesetz über die Sanierung und Abwicklung von Banken – BaSAG') Erste Group annually submits an updated Group Recovery Plan to ECB.

The Group Recovery Plan identifies options for restoring financial strength and viability in case Erste Group comes under severe economic stress. The plan specifies potential options for the replenishment of capital and liquidity resources of the bank in order to cope with a range of scenarios including both idiosyncratic and market-wide stress.

Erste Group collaborates with the resolution authorities in the drawing up of resolution plans based on BaSAG and EU Regulation No 806/2014 establishing the Single Resolution Mechanism (SRM Regulation).

44.4 Credit risk

Credit risk arises in Erste Group's traditional lending and investment businesses. It involves losses incurred as a result of default by borrowers and the need to set aside allowances as a result of the deteriorating credit quality of certain borrowers as well as due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk is also recognised in the calculation of credit risk. Operative credit decisions are made by the credit risk management units in each of the banking subsidiaries locally and by Group Credit Risk Management at group level. A detailed explanation of the role and responsibilities of Group Credit Risk Management is covered in section 'Risk management organisation'.

In contrary to large corporates, banks and governments managing credit risk in retail involves dealing with a large number of relatively small exposures extended to private individuals, free professionals, entrepreneurs or to micro companies in line with the Basel definitions. Credit risk related to retail loan portfolios is managed at group and at local entity 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.

The central database used for credit risk management is the Business Intelligence data warehouse (BI-DWH). All data relevant to credit risk management, performance management and determination of risk-weighted assets and the regulatory capital requirement is regularly loaded into this database. Relevant subsidiaries not yet integrated into the Group data pool regularly deliver reporting packages.

The Risk Monitoring and Reporting department uses mainly the BI-DWH for centralised credit risk reporting. This ensures centralised analysis and application of ratios according to unified methods and segmentation across Erste Group as a whole. Credit risk reporting comprises regular reports on Erste Group's credit portfolio for external and internal recipients and permits continuous monitoring of credit risk developments, thus enabling management to take control measures. In-house recipients of these reports include, above all, the supervisory and management boards of Erste Group Bank AG as well as the risk managers, business unit directors and internal audit staff.

The unit Corporate Portfolio Monitoring & Management, which is part of Group Credit Risk Management, is in charge of operating, supervising and continuously improving the group-wide online limit system for the control of counterparty credit risk arising from treasury transactions, as well as for the monitoring of credit risk from exposures in the asset classes corporates, financial institutions and sovereigns.

Internal rating system

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

The assessment of counterparty default risk within Erste Group is based on the customer's probability of default (PD). For each credit exposure and lending decision, Erste Group assigns an internal rating, which is a unique measure of the counterparty default risk. The internal rating of each customer is updated event-specific, however, at least once a year (annual rating review). Ratings of workout customers are reviewed with higher frequency.

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

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

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

Internal specialist teams develop and improve internal rating models and risk parameters in cooperation with risk managers. Model development follows an internal group-wide methodological standard and utilises relevant data covering the respective market. In this way, Erste Group ensures the availability of rating models with the best possible prediction across its core regions.

All rating models and their components (scorecards), whether retail or non-retail, are regularly validated by the central validation unit based on a group-wide standard methodology. Validation uses statistical techniques to evaluate the accuracy of default prediction, rating stability, data quality, completeness and relevance and reviews the quality of documentation and degree of user acceptance. The results of this validation process are reported to the management and regulatory bodies. In addition to the validation process, the group applies a regular monitoring process on the performance of rating tools, reflecting developments in new defaults and early delinquencies.

A Holding Model Committee (HMC) is established as the primary steering and control body for the model development and validation process and is a delegated committee of the Group Risk Executive Committee (GREC). All new models, model changes, and changes to risk parameters in the group as well as group-wide methodology standards are reviewed by the Holding Model Committee and require its approval. This ensures group-wide integrity and consistency of models and methodologies. Furthermore, the Holding Model Committee organises the group-wide validation process, reviews validation results and approves remedial actions. All development and validation activities are coordinated by the Credit Risk Models division.

Risk grades and categories

The classification of credit assets into risk grades is based on Erste Group's internal ratings. Erste Group uses two internal risk scales for risk classification of non-defaulted customer:

- a risk scale of 8 risk grades for private clients and
- a risk scale of 13 risk grades for all other segments.

Defaulted customers are classified into a separate risk grade.

For the purpose of aggregated portfolio reporting, internal rating grades of Erste Group are grouped into the following four risk categories:

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

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

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

Non-performing. One or more of the default criteria under Article 178 of the CRR are met: among others, full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. Erste Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. Furthermore, non-performing exposures also comprise non-performing forborne transactions even in cases where the client has not defaulted.

Credit risk review and monitoring

In order to manage the credit risk for large corporates, banks, sovereigns and country risk, credit limits are established to reflect the maximum exposure that Erste Group is willing to have towards a particular customer or group of connected clients. An upper boundary for such limits is given by the entity-specific maximum lending limit (MLL), which is derived from the respective group and local Risk Appetite Statement (RAS). All credit limits and the transactions booked within the limits are reviewed at least once a year. During the year, early warning signals are monitored continuously. In case of adverse developments, the exposure strategy is reviewed immediately and adapted accordingly.

Credit portfolio reports for asset classes and business lines are prepared on a regular basis and a group-wide early warning system was introduced. Watch-list meetings and remedial committee meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures to help a particular debtor avoid default.

For smaller enterprises (micro) and retail customers, the monitoring and credit review are based on an automated early warning system. In retail risk management the early warning signals for adverse portfolio developments include, for instance, a quality deterioration in new business or a decreasing collections effectiveness and require appropriate countermeasures.

The early warning signals are monitored at group level by Group Credit Risk Management and at subsidiary level by the local units for retail risk and collections management. Adverse developments identified during the monitoring are discussed and the need for risk mitigation is addressed jointly.

Credit risk exposure

Credit risk exposure relates to the sum of the following balance sheet items:
- cash and cash balances - other demand deposits;
- financial assets - held for trading (without equity instruments);
- financial assets - at fair value through profit or loss (without equity instruments);
- financial assets - available for sale (without equity instruments);
- financial assets - held to maturity;
- loans and receivables to credit institutions;
- loans and receivables to customers;
- positive fair value of derivatives;
- off-balance sheet credit risks (primarily financial guarantees and undrawn irrevocable credit commitments).

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:
- account loan loss allowances;
- provisions for guarantees;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

Between 31 December 2016 and 31 December 2017, the credit risk exposure increased from EUR 214,938 million to EUR 226,172 million. This is an increase of 5.2% or EUR 11,234 million.

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

in EUR million	Gross carrying amount	Credit risk provisions	Carrying amount
As of 31 December 2017			
Cash and cash balances – other demand deposits	1,028	0	1,028
Loans and receivables to credit institutions	9,133	7	9,126
Loans and receivables to customers	143,509	3,977	139,532
Financial assets - held to maturity	19,804	3	19,800
Financial assets - held for trading	2,887	-	2,887
Financial assets - at fair value through profit or loss	403	-	403
Financial assets - available for sale	14,896	-	14,896
Positive fair value of derivatives	4,217	-	4,217
Contingent liabilities	30,295	323	-
Total	**226,172**	**4,310**	**191,890**
As of 31 December 2016			
Cash and cash balances – other demand deposits	1,282	0	1,282
Loans and receivables to credit institutions	3,478	8	3,469
Loans and receivables to customers	135,267	4,613	130,654
Financial assets - held to maturity	19,274	4	19,270
Financial assets - held for trading	3,396	-	3,396
Financial assets - at fair value through profit or loss	336	-	336
Financial assets - available for sale	18,522	-	18,522
Positive fair value of derivatives	5,899	-	5,899
Contingent liabilities	27,484	338	-
Total	**214,938**	**4,963**	**182,829**

The gross carrying amount of contingent liabilities refers to the nominal value, while credit risk provisions refer to provisions for guarantees. A carrying amount is not presented in the case of contingent liabilities.

Breakdown of credit risk exposure

On the next pages the credit risk volume is categorized in the following way:

_ Basel 3 exposure class and financial instrument;
_ contingent liabilities by product;
_ industry and financial instrument;
_ risk category;
_ industry and risk category;
_ region and risk category;
_ business segment and risk category;
_ geographical segment and risk category;
_ non-performing credit risk exposure by business segment and credit risk provisions;
_ non-performing credit risk exposure by geographical segment and credit risk provisions;
_ composition of allowances;
_ credit risk exposure, forbearance exposure, and credit risk provisions;
_ types of forbearance exposure, the development of forbearance exposure, and credit risk provisions;
_ credit quality of forbearance exposure by geographical segments;
_ business segment and collateral;
_ geographical segment and collateral;
_ financial instrument and collateral;
_ past due and not covered by specific allowances by financial instruments and collateralisation.

Credit risk exposure by Basel 3 exposure class and financial instrument

The assignment of obligors to Basel 3 exposure classes is based on legal requirements. For reasons of clarity, individual Basel 3 exposure classes are aggregated in the tables below. In addition to central governments, central banks, international organisations, and multinational development banks, the aggregated exposure class ‘sovereigns’ contains regional and local governments as well as public sector entities. Institutions include banks and recognised investment firms.

in EUR million	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions (At amortised cost)	Loans and receivables to customers (At amortised cost)	Debt securities: Financial assets - held to maturity (At amortised cost)	Debt securities: Financial assets - held for trading (At fair value)	Debt securities: Financial assets - at fair value through profit or loss (At fair value)	Debt securities: Financial assets - available for sale (At fair value)	Positive fair value of derivatives	Contingent liabilities	Total credit risk exposure
As of 31 Dec 2017										
Sovereigns	8	5,893	6,557	18,743	2,242	79	11,495	282	1,296	46,595
Institutions	997	2,988	726	807	467	137	1,456	3,638	544	11,762
Corporates	23	251	62,962	254	178	186	1,946	296	20,649	86,744
Retail	0	0	73,265	0	0	0	0	1	7,806	81,071
Total	**1,028**	**9,133**	**143,509**	**19,804**	**2,887**	**403**	**14,896**	**4,217**	**30,295**	**226,172**
As of 31 Dec 2016										
Sovereigns	6	680	7,347	18,459	2,549	42	14,823	330	1,639	45,876
Institutions	1,270	2,080	149	538	467	139	1,646	5,120	251	11,659
Corporates	6	717	59,010	277	380	155	2,053	448	19,002	82,048
Retail	0	0	68,761	0	0	0	0	1	6,592	75,354
Total	**1,282**	**3,478**	**135,267**	**19,274**	**3,396**	**336**	**18,522**	**5,899**	**27,484**	**214,938**

Contingent liabilities by product

in EUR million	Dec 16	Dec 17
Financial guarantees	6,577	6,985
Irrevocable commitments	20,907	23,310
Total	**27,484**	**30,295**

Credit risk exposure by industry and financial instrument

in EUR million	Cash and cash balances – other demand deposits	Loans and receivables to credit institutions	Loans and receivables to customers	Debt securities: Financial assets - held to maturity	Debt securities: Financial assets - held for trading	Debt securities: Financial assets - at fair value through profit or loss	Debt securities: Financial assets - available for sale	Positive fair value of derivatives	Contingent liabilities	Total credit risk exposure
		At amortised cost			At fair value					
As of 31 December 2017										
Agriculture and forestry	0	0	2,642	0	0	0	0	1	295	2,937
Mining	0	0	364	0	6	0	17	1	398	787
Manufacturing	0	0	10,734	1	8	0	259	40	4,688	15,729
Energy and water supply	0	0	3,270	0	9	0	142	49	758	4,227
Construction	0	0	6,451	100	2	0	231	2	3,680	10,466
Development of building projects	0	0	3,834	0	1	0	8	1	1,156	5,001
Trade	0	0	8,298	0	0	0	56	9	2,995	11,358
Transport and communication	0	0	3,913	135	58	0	1,013	36	1,746	6,901
Hotels and restaurants	0	0	3,709	0	0	0	1	4	554	4,269
Financial and insurance services	1,027	9,094	3,789	1,411	548	335	2,657	3,802	1,806	24,468
Holding companies	0	0	1,718	41	12	0	160	5	523	2,458
Real estate and housing	0	0	23,121	32	31	0	78	66	3,282	26,610
Services	0	1	8,375	31	60	0	338	39	2,782	11,626
Public administration	0	34	5,713	18,067	2,165	68	9,788	160	1,065	37,060
Education, health and art	0	0	2,813	0	0	0	7	8	403	3,232
Private households	0	0	60,298	0	0	0	0	0	5,555	65,854
Other	1	3	19	27	2	0	307	0	288	648
Total	**1,028**	**9,133**	**143,509**	**19,804**	**2,887**	**403**	**14,896**	**4,217**	**30,295**	**226,172**
As of 31 December 2016										
Agriculture and forestry	0	0	2,367	0	0	0	0	4	268	2,638
Mining	0	0	435	0	6	0	17	0	421	880
Manufacturing	0	0	10,089	1	18	0	262	98	4,428	14,895
Energy and water supply	0	0	3,032	0	10	0	120	62	617	3,841
Construction	0	0	6,236	150	1	0	283	8	3,323	10,002
Development of building projects	0	0	3,567	0	0	0	8	3	975	4,553
Trade	0	0	7,912	0	0	0	29	14	2,990	10,945
Transport and communication	0	0	3,622	145	55	0	1,060	35	1,694	6,612
Hotels and restaurants	0	0	3,699	6	0	0	2	6	481	4,193
Financial and insurance services	1,282	3,473	3,833	1,187	904	305	3,603	5,254	1,756	21,596
Holding companies	0	0	1,975	19	19	0	151	13	557	2,734
Real estate and housing	0	0	21,842	24	21	0	146	155	2,348	24,535
Services	0	2	7,044	46	50	0	311	50	2,468	9,971
Public administration	0	0	6,004	17,700	2,322	31	12,330	174	1,375	39,935
Education, health and art	0	0	2,704	0	0	0	3	12	416	3,136
Private households	0	0	56,415	0	0	0	0	1	4,621	61,037
Other	0	3	33	15	9	0	358	27	278	723
Total	**1,282**	**3,478**	**135,267**	**19,274**	**3,396**	**336**	**18,522**	**5,899**	**27,484**	**214,938**

Credit risk exposure by risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
As of 31 December 2017	**200,788**	**16,904**	**2,207**	**6,273**	**226,172**
Share of credit risk exposure	88.8%	7.5%	1.0%	2.8%	
As of 31 December 2016	**188,031**	**17,733**	**2,072**	**7,102**	**214,938**
Share of credit risk exposure	87.5%	8.3%	1.0%	3.3%	
Change in credit risk exposure	12,757	-829	135	-829	11,234
Change	6.8%	-4.7%	6.5%	-11.7%	5.2%

From 31 December 2016 to 31 December 2017, the share of credit risk exposure in the low risk category increased significantly. Non-performing claims as a percentage of total credit risk exposure (NPE ratio) decreased from 3.3% to 2.8%. During the year 2017, the combined proportion of the two weakest risk categories, substandard and non-performing, declined by 0.5 percentage points from 4.3% to 3.8% of total credit risk exposure.

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
As of 31 December 2017					
Agriculture and forestry	2,207	487	41	202	2,937
Mining	690	30	6	61	787
Manufacturing	13,541	1,363	228	597	15,729
Energy and water supply	3,684	392	34	118	4,227
Construction	8,514	1,126	261	564	10,466
Development of building projects	4,351	475	24	151	5,001
Trade	8,956	1,420	183	798	11,358
Transport and communication	6,140	551	79	131	6,901
Hotels and restaurants	2,945	873	91	360	4,269
Financial and insurance services	23,333	887	83	165	24,468
Holding companies	2,183	113	30	131	2,458
Real estate and housing	23,150	2,532	230	698	26,610
Services	9,865	1,156	126	479	11,626
Public administration	36,833	217	1	9	37,060
Education, health and art	2,514	477	23	219	3,232
Private households	58,056	5,387	539	1,872	65,854
Other	359	5	284	0	648
Total	**200,788**	**16,904**	**2,207**	**6,273**	**226,172**
As of 31 December 2016					
Agriculture and forestry	1,966	495	28	149	2,638
Mining	704	60	4	112	880
Manufacturing	12,422	1,389	190	895	14,895
Energy and water supply	3,352	351	29	111	3,843
Construction	7,994	1,251	100	657	10,002
Development of building projects	3,875	437	20	220	4,553
Trade	8,524	1,568	160	693	10,945
Transport and communication	5,957	455	36	164	6,612
Hotels and restaurants	2,787	852	150	405	4,193
Financial and insurance services	20,503	881	61	146	21,592
Holding companies	2,453	126	41	114	2,734
Real estate and housing	20,563	2,770	238	966	24,537
Services	8,397	1,069	140	354	9,960
Public administration	39,403	500	7	24	39,935
Education, health and art	2,433	431	28	244	3,136
Private households	52,632	5,658	574	2,174	61,037
Other	393	1	330	10	734
Total	**188,031**	**17,733**	**2,072**	**7,102**	**214,938**

Credit risk exposure by region and risk category

The geographic analysis of credit exposure is based on the country of risk of the borrower and counterparty. It comprises obligors domiciled in other countries if the economic risk exists in the respective country of risk. The distribution by regions differs from the composition of the credit risk exposure by geographical segments of Erste Group.

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
As of 31 December 2017					
Core markets	**175,189**	**14,952**	**1,990**	**5,698**	**197,828**
Austria	87,413	7,659	1,268	2,291	98,631
Croatia	7,281	920	144	930	9,275
Romania	12,477	1,744	139	753	15,114
Serbia	1,615	135	7	84	1,843
Slovakia	17,095	1,161	67	595	18,918
Czech Republic	41,016	2,725	258	785	44,784
Hungary	8,291	607	106	260	9,264
Other EU	**18,842**	**1,205**	**176**	**404**	**20,627**
Other industrialised countries	**3,809**	**137**	**9**	**51**	**4,007**
Emerging markets	**2,949**	**610**	**32**	**119**	**3,710**
South-Eastern Europe/CIS	1,492	418	26	99	2,035
Asia	856	104	3	0	963
Latin America	50	26	1	15	92
Middle East/Africa	551	62	2	5	620
Total	**200,788**	**16,904**	**2,207**	**6,273**	**226,172**
As of 31 December 2016					
Core markets	**160,052**	**15,679**	**1,914**	**6,409**	**184,055**
Austria	84,766	8,035	1,233	2,400	96,435
Croatia	7,075	1,035	142	821	9,073
Romania	12,059	1,891	82	1,058	15,090
Serbia	865	410	12	138	1,425
Slovakia	16,282	1,184	128	629	18,222
Czech Republic	32,414	2,441	177	910	35,942
Hungary	6,592	683	140	453	7,868
Other EU	**20,744**	**1,299**	**91**	**455**	**22,590**
Other industrialised countries	**4,176**	**167**	**5**	**58**	**4,406**
Emerging markets	**3,059**	**588**	**61**	**180**	**3,888**
South-Eastern Europe/CIS	1,400	376	54	156	1,986
Asia	1,099	124	4	0	1,228
Latin America	61	33	2	18	114
Middle East/Africa	499	54	1	6	560
Total	**188,031**	**17,733**	**2,072**	**7,102**	**214,938**

The credit risk exposure increased by EUR 2,196 million, or 2.3% in Austria, and by EUR 11,577 million, or 13.2%, in the CEE core markets. In the other EU member states (EU 28 excluding core markets), the credit risk exposure declined by EUR 1,963 million, or 8.7%, from EUR 22,590 million to EUR 20,627 million between the two balance sheet dates. A decrease was also recorded in other industrialised countries (EUR -399 million) and in emerging markets (EUR -178 million). In total, Erste Group's core markets and the EU accounted for 96.6% (2016: 96.1%) of credit risk exposure as of 31 December 2017. At 1.6% (2016: 1.8%), the share of emerging markets remained of minor importance.

Credit risk exposure by reporting segment and risk category

The segment reporting of Erste Group is based on the matrix organisation by business segment as well as by geographical segment. The geographical segmentation follows the country markets in which Erste Group operates and the locations of the banking and other financial institutions participations.

Credit risk exposure by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
As of 31 December 2017					
Retail	51,988	5,475	522	1,723	59,708
Corporates	56,366	4,529	579	2,641	64,114
Group Markets	15,515	372	31	3	15,921
Asset/Liability Management and Local Corporate Center	28,183	96	185	15	28,479
Savings Banks	48,683	6,321	801	1,891	57,696
Group Corporate Center	54	109	90	1	254
Total	**200,788**	**16,904**	**2,207**	**6,273**	**226,172**
As of 31 December 2016					
Retail	46,061	5,428	512	1,971	53,972
Corporates	53,019	4,906	438	3,048	61,411
Group Markets	14,839	664	36	4	15,542
Asset/Liability Management and Local Corporate Center	27,234	260	173	16	27,682
Savings Banks	46,827	6,384	849	2,062	56,122
Group Corporate Center	51	91	65	1	208
Total	**188,031**	**17,733**	**2,072**	**7,102**	**214,938**

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
As of 31 December 2017					
Austria	**111,426**	**9,675**	**1,352**	**3,397**	**125,849**
Erste Bank Oesterreich & Subsidiaries	35,681	2,523	444	681	39,329
Savings Banks	48,683	6,321	801	1,891	57,696
Other Austria	27,062	830	106	825	28,823
Central and Eastern Europe	**84,561**	**7,120**	**766**	**2,851**	**95,298**
Czech Republic	41,616	2,741	254	575	45,186
Romania	11,411	1,753	182	729	14,076
Slovakia	15,641	1,110	63	507	17,320
Hungary	7,094	461	105	215	7,875
Croatia	7,433	961	154	792	9,341
Serbia	1,365	94	7	33	1,500
Other	**4,801**	**109**	**90**	**25**	**5,025**
Total	**200,788**	**16,904**	**2,207**	**6,273**	**226,172**
As of 31 December 2016					
Austria	**109,040**	**10,272**	**1,362**	**3,616**	**124,291**
Erste Bank Oesterreich & Subsidiaries	35,090	2,713	394	827	39,025
Savings Banks	46,827	6,384	849	2,062	56,122
Other Austria	27,123	1,174	119	727	29,144
Central and Eastern Europe	**71,867**	**7,364**	**645**	**3,453**	**83,329**
Czech Republic	33,144	2,509	146	747	36,546
Romania	11,071	1,937	81	1,010	14,097
Slovakia	14,032	1,035	132	525	15,723
Hungary	5,660	544	111	396	6,711
Croatia	7,167	978	164	717	9,025
Serbia	794	362	12	59	1,227
Other	**7,124**	**96**	**65**	**33**	**7,318**
Total	**188,031**	**17,733**	**2,072**	**7,102**	**214,938**

Non-performing credit risk exposure and credit risk provisions

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection 'Internal rating system'. Credit risk provisions include specific and collective allowances and provisions for guarantees.

Credit risk allowances (specific and collective allowances) and provisions for guarantees covered 68.7% (2016: 69.9%) of the reported non-performing credit risk exposure as of 31 December 2017. For the portion of the non-performing credit risk exposure that is not covered by allowances, Erste Group assumes there are sufficient levels of collateral and expected other recoveries.

During 2017, the non-performing credit risk exposure decreased by EUR 829 million, or 11.7%, from EUR 7,102 million to EUR 6,273 million. The substantial improvement of asset quality resulted on the one side from a strong decline of new non-performing loans, and on the other side from high recoveries and write-offs, including from sales of non-performing loans. The credit risk allowances for loans and advances together with provisions for guarantees decreased by EUR 653 million, or 13.2%, from EUR 4,963 million as of 31 December 2016 to EUR 4,310 million as of 31 December 2017. This development resulted in a decrease of 1.2 percentage points in the coverage of the non-performing credit risk exposure by credit risk provisions.

The following tables show the coverage of the non-performing credit risk exposure by credit risk provisions (without taking into consideration collateral) as of 31 December 2017 and 31 December 2016. The differences in provisioning levels between the reporting segments result from the risk situation in the respective markets, different levels of collateralisation as well as the local legal environment and regulatory requirements.

The non-performing exposure ratio (NPE ratio) is calculated as the non-performing credit risk exposure divided by total credit risk exposure while the NPE coverage ratio (excl. collateral) is computed as the credit risk provisions divided by non-performing credit risk exposure. Collateral or other recoveries are not taken into account.

Non-performing credit risk exposure by business segment and credit risk provisions

	Total credit risk exposure						
in EUR million	Non-performing	Total credit risk exposure	Total credit risk provisions	Specific allowances & provisions	Collective allowances & provisions	NPE ratio	NPE coverage ratio (excl. collateral)
As of 31 December 2017							
Retail	1,723	59,708	1,349	1,081	267	2.9%	78.3%
Corporates	2,641	64,114	1,798	1,421	377	4.1%	68.1%
Group Markets	3	15,921	7	2	5	0.0%	266.0%
Asset/Liability Management and Local Corporate Center	15	28,479	44	12	32	0.1%	302.3%
Savings Banks	1,891	57,696	1,112	923	188	3.3%	58.8%
Group Corporate Center	1	254	0	0	0	0.3%	16.8%
Total	**6,273**	**226,172**	**4,310**	**3,440**	**870**	**2.8%**	**68.7%**
As of 31 December 2016							
Retail	1,971	53,972	1,489	1,195	294	3.7%	75.5%
Corporates	3,048	61,411	2,201	1,843	358	5.0%	72.2%
Group Markets	4	15,542	12	2	10	0.0%	300.0%
Asset/Liability Management and Local Corporate Center	16	27,682	33	7	26	0.1%	206.3%
Savings Banks	2,062	56,122	1,225	1,033	192	3.7%	59.4%
Group Corporate Center	1	208	4	0	4	0.5%	400.0%
Total	**7,102**	**214,938**	**4,963**	**4,080**	**884**	**3.3%**	**69.9%**

Non-performing credit risk exposure by geographical segment and credit risk provisions

in EUR million	Total credit risk exposure						
	Non-performing	Total credit risk exposure	Total credit risk provisions	Specific allowances & provisions	Collective allowances & provisions	NPE ratio	NPE coverage ratio (excl. collateral)
As of 31 December 2017							
Austria	**3,397**	**125,849**	**1,917**	**1,602**	**316**	**2.7%**	**56.5%**
Erste Bank Oesterreich & Subsidiaries	681	39,329	400	329	71	1.7%	58.7%
Savings Banks	1,891	57,696	1,112	923	188	3.3%	58.8%
Other Austria	825	28,823	406	350	56	2.9%	49.2%
Central and Eastern Europe	**2,851**	**95,298**	**2,375**	**1,826**	**549**	**3.0%**	**83.3%**
Czech Republic	575	45,186	518	381	137	1.3%	90.0%
Romania	729	14,076	663	505	158	5.2%	90.9%
Slovakia	507	17,320	380	298	82	2.9%	75.1%
Hungary	215	7,875	198	126	72	2.7%	92.1%
Croatia	792	9,341	577	493	84	8.5%	72.8%
Serbia	33	1,500	39	23	16	2.2%	119.5%
Other	**25**	**5,025**	17	**12**	**5**	**0.5%**	**69.4%**
Total	**6,273**	**226,172**	**4,310**	**3,440**	**870**	**2.8%**	**68.7%**
As of 31 December 2016							
Austria	**3,616**	**124,291**	**2,211**	**1,854**	**357**	**2.9%**	**61.1%**
Erste Bank Oesterreich & Subsidiaries	827	39,025	504	419	85	2.1%	60.9%
Savings Banks	2,062	56,122	1,225	1,033	192	3.7%	59.4%
Other Austria	727	29,144	482	402	80	2.5%	66.3%
Central and Eastern Europe	**3,453**	**83,329**	**2,714**	**2,195**	**519**	**4.1%**	**78.6%**
Czech Republic	747	36,546	603	482	121	2.0%	80.7%
Romania	1,010	14,097	844	697	147	7.2%	83.6%
Slovakia	525	15,723	355	255	100	3.3%	67.6%
Hungary	396	6,711	324	269	55	5.9%	81.8%
Croatia	717	9,025	531	450	81	7.9%	74.1%
Serbia	59	1,227	58	42	16	4.8%	98.3%
Other	**33**	**7,318**	**39**	**32**	**7**	**0.5%**	**118.2%**
Total	**7,102**	**214,938**	**4,963**	**4,080**	**884**	**3.3%**	**69.9%**

The general principles and standards for credit risk provisions within Erste Group are described in the internal policies. Credit risk provisions are calculated:

_ for financial assets carried at amortised cost (loans and receivables, financial assets held to maturity) in accordance with IAS 39 and
_ for contingent liabilities (financial guarantees, loan commitments) in accordance with IAS 37.

Credit risk provisions are created in a process performed on customer level. The process includes the identification of default and impairment and the type of assessment (individual or collective) to be applied. 'On customer level' means in this context that if one of the customer's exposures is classified as defaulted, typically all of this customer's exposures are classified as defaulted. Depending on the characteristics of the exposure and the respective expected cash flows (e.g. considering collateral), some exposures may not be impaired.

The bank distinguishes between two types of allowances:

_ specific allowances calculated for exposures to defaulted customers that are deemed to be impaired and
_ collective allowances (allowances for incurred but not reported losses) calculated for exposures to non-defaulted customers or defaulted customers that are not deemed to be impaired.

For the calculation of specific allowances, the discounted cash flow method is applied. This means that a difference between gross carrying amount and net present value (NPV) of the expected cash flows leads to an impairment and defines the amount of any allowance requirement. All estimated interest and redemption payments as well as estimated collateral recoveries and costs for selling and obtaining collateral are considered as expected cash flows. The effective interest rate is used as the discount rate in the calculation of the NPV of the expected cash flows.

The calculation of specific allowances is performed either on an individual basis or as a collective assessment (rule-based approach). In the case of significant customers, expected cash flows are estimated individually by workout or risk managers. A customer is considered as significant if the total exposure defined as the sum of all on- and off-balance-sheet exposures exceeds a defined materiality limit. Otherwise, the customer is considered as insignificant and a rule-based approach is used for the calculation of the specific allowance.

Under this approach, specific allowances are calculated as the product of carrying amount and loss given default (LGD), where LGD depends on relevant characteristics such as time in default or the stage of the workout process.

Collective allowances are calculated on on-balance and off-balance sheet exposures to non-defaulted customers for which a default has not been detected or reported. The level of collective allowances depends on the gross carrying amount, the probability of default (PD), the loss given default (LGD), the credit conversion factors (CCF) in case of off-balance-sheet exposures, and the loss identification period (LIP). The LIP corresponds to the average period between the occurrence and the detection of the loss and ranges from four months to one year. The result of discounting future cash flows to their present values is taken into consideration in the LGD calculation.

Generally, risk parameters used in the calculation of collective allowances may be different to the Basel 3 Pillar 1 or Pillar 2 risk parameters if the properties of the respective portfolio in combination with IAS/IFRS standards necessitate this.

Collective allowances are also calculated in case of exposures to defaulted customers that are not identified as impaired. For these customers, no specific allowances are allocated. Collective allowances are calculated based on the historical loss experience for the relevant customer segment.

Erste Group regularly reviews its specific and collective allowances. These exercises comprise the parameters and methodologies used in its provision calculation. In 2017, adjustments took place in the context of changes in underlying processes (e.g. local implementation of Group Default Definition policy) and routine maintenance of parameters (e.g. regular calibration) or rating models.

Composition of credit risk provisions

in EUR million	Dec 16	Dec 17
Specific allowances	3,889	3,274
Collective allowances	736	713
Provisions for guarantees	338	323
Total	**4,963**	**4,310**

Restructuring, renegotiation and forbearance

Restructuring means contractual modification of any of the customer's loan repayment conditions including tenor, interest rate, fees, principal amount due or a combination thereof. Restructuring can be business restructuring (in the retail segment), commercial renegotiation (in the corporate segment), or forbearance (e.g. concession due to financial difficulties) in line with EBA requirements in both segments.

Restructuring and renegotiation

Restructuring as business restructuring in the retail segment or as commercial renegotiation in the corporate segment is a potential and effective customer retention tool involving re-pricing or the offering of an additional loan or both in order to maintain the bank's valuable, good clientele.

Forbearance

The definition of 'forbearance' is included in Regulation (EU) 2015/227. A restructuring is considered 'forbearance' if it entails a concession towards a customer facing or about to face financial difficulties in meeting their contractual financial commitments. A borrower is in financial difficulties if any of the following conditions are met:

- the customer was more than 30 days past due in the past 3 months;
- the customer would be 30 days past due or more without receiving forbearance;
- the customer is in default;
- the modified contract was classified as non-performing or would be non-performing without forbearance;
- the contract modification involves total or partial cancellation by write-off of the debt on any of the customer's credit obligations while at customer level open credit exposure still remains.

Forborne exposure is assessed at loan contract level and means only the exposure to which forbearance measures have been extended and excludes any other exposure the customer may have, as long as no forbearance was extended to these.

Concession means that any of the following conditions are met:
- modification/refinancing of the contract would not have been granted, had the customer not been in financial difficulty;
- there is a difference in favour of the customer between the modified/refinanced terms of the contract and the previous terms of the contract;
- the modified/refinanced contract includes more favourable terms than other customers with a similar risk profile would have obtained from the same institution.

Forbearance can be initiated by the bank or by the customer (on account of loss of employment, illness etc.). Components of forbearance can be instalment reduction, tenor extension, interest reduction or forgiveness, principal reduction or forgiveness, revolving exposure change to instalment and/or others.

Forbearance measures are divided and reported as:
- performing forbearance (incl. performing forbearance under probation that was upgraded from non-performing forbearance) and
- non-performing forbearance (incl. non-performing forbearance and defaulted/impaired forbearance).

Forborne exposures are considered performing when:
- the exposure did not have non-performing status at the time the extension of or application for forbearance was approved and
- granting the forbearance has not led to classifying the exposure as non-performing or default.

Performing forborne exposures become non-performing when during the monitoring period of a minimum of two years one of the following forbearance classifications is fulfilled:
- an additional forbearance measure is extended and in the past the customer was in the non-performing forbearance category;
- the customer becomes more than 30 days past due on forborne exposure and in the past the customer was in the non-performing forbearance category;
- the customer meets any of the default event criteria defined in the default definition;
- for corporate customers, when a final restructuring agreement cannot be concluded within 18 months after the first forbearance measure.

The performing forbearance classification can be discontinued and the account can become a non-forborne account when all of the following conditions are met:
- a minimum of two years have passed from the date of classifying the exposure as performing forbearance (probation period);
- under the forborne payment plan, at least 50% of the original (pre-forbearance) instalment has been regularly repaid at least during half of the probation period (in the case of retail customers);
- regular repayments in a significant amount during at least half of the probation period have been made (in the case of corporate customers);
- none of the exposure of the customer is more than 30 days past due at the end of the probation period.

The non-performing forbearance classification can be discontinued and reclassified as performing under probation when all of the following conditions are met:
- one year has passed from the date of classifying the exposure as non-performing forbearance;
- the forbearance has not led the exposure to be classified as non-performing;
- retail customers: the customer has demonstrated the ability to comply with the post-forbearance conditions by either of the following:
  - the customer has never been more than 30 days past due during the last 6 months and there is no delinquent amount;
  - the customer has repaid the full past due amount or the written-off amount (if there was any).
- corporate customer: analysis of the financial development, which leaves no concern about future compliance with post-forbearance terms and conditions. Furthermore, the customer has never been more than 30 days past due during the monitoring period and there is no delinquent amount.

In the corporate segment, recognition of forbearance measures typically leads to the involvement of the responsible local workout unit. The largest part of the forbearance measures are set within the responsibility of the local workout units and the affected clients are managed and monitored according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as trigger events for carrying out impairment tests according to the internal regulations and standards based on the IFRS requirements.

Credit risk exposure, forbearance exposure and credit risk provisions

in EUR million	Loans and receivables	Financial assets	Other balance-sheet positions	Contingent liabilities	Total
As of 31 December 2017					
Gross exposure	**152,642**	**37,990**	**5,245**	**30,295**	**226,172**
thereof gross forborne exposure	3,033	0	0	178	3,210
Performing exposure	146,863	37,985	5,244	29,807	219,899
thereof performing forborne exposure	1,188	0	0	36	1,224
Credit risk provisions for performing exposure	710	3	0	141	854
thereof credit risk provisions for performing forborne exposure	42	0	0	0	43
Non-performing exposure	5,778	5	2	488	6,273
thereof non-performing forborne exposure	1,845	0	0	142	1,986
Credit risk provisions for non-performing exposure	3,274	0	0	181	3,455
thereof credit risk provisions for non-performing forborne exposure	929	0	0	14	944
As of 31 December 2016					
Gross exposure	**138,745**	**41,528**	**7,181**	**27,484**	**214,938**
thereof gross forborne exposure	3,370	0	0	123	3,493
Performing exposure	132,064	41,527	7,176	27,068	207,836
thereof performing forborne exposure	1,356	0	0	43	1,399
Credit risk provisions for performing exposure	703	4	0	131	838
thereof credit risk provisions for performing forborne exposure	48	0	0	1	49
Non-performing exposure	6,680	1	5	416	7,102
thereof non-performing forborne exposure	2,014	0	0	79	2,094
Credit risk provisions for non-performing exposure	3,918	0	0	208	4,126
thereof credit risk provisions for non-performing forborne exposure	990	0	0	13	1,003

Types of forbearance exposure

in EUR million	Gross forborne exposure	Modification in terms and conditions	Refinancing
As of 31 December 2017			
Loans and receivables	3,033	2,730	302
Financial assets	0	0	0
Contingent liabilities	178	159	18
Total	**3,210**	**2,890**	**321**
As of 31 December 2016			
Loans and receivables	3,370	3,066	304
Financial assets	0	0	0
Contingent liabilities	123	105	17
Total	**3,493**	**3,171**	**322**

Credit quality of forbearance exposure by geographical segment

in EUR million	Gross forborne exposure	Neither past due nor impaired	Past due but not impaired	Impaired	Collateral	Credit risk provisions
As of 31 December 2017						
Austria	**1,847**	**771**	**51**	**1,025**	**914**	**488**
Erste Bank Oesterreich & Subsidiaries	371	188	12	171	207	74
Savings Banks	1,041	481	39	521	581	250
Other Austria	434	102	0	332	126	164
Central and Eastern Europe	**1,364**	**513**	**56**	**795**	**391**	**498**
Czech Republic	160	53	8	98	43	60
Romania	633	311	12	310	123	223
Slovakia	294	72	12	211	141	109
Hungary	71	37	8	26	34	18
Croatia	189	37	15	137	46	78
Serbia	17	3	1	14	4	10
Other	**0**	**0**	**0**	**0**	**0**	**0**
Total	**3,210**	**1,283**	**107**	**1,820**	**1,304**	**986**
As of 31 December 2016						
Austria	**1,910**	**880**	**58**	**973**	**998**	**516**
Erste Bank Oesterreich & Subsidiaries	410	226	13	171	236	101
Savings Banks	1,041	521	45	475	645	220
Other Austria	460	133	0	327	117	195
Central and Eastern Europe	**1,583**	**697**	**58**	**828**	**701**	**536**
Czech Republic	224	86	0	138	69	85
Romania	657	346	19	292	309	201
Slovakia	332	130	15	187	206	117
Hungary	142	76	8	58	48	47
Croatia	205	55	14	136	62	73
Serbia	23	4	2	17	6	12
Other	**0**	**0**	**0**	**0**	**0**	**0**
Total	**3,493**	**1,577**	**116**	**1,801**	**1,699**	**1,052**

Collaterals

Recognition of collateral

The Collateral Management department is a staff unit within the Group Workout division. The Group Collateral Management Policy defines, among other things, uniform valuation standards for credit collateral across the entire group. It ensures that the credit risk decision processes are standardised with respect to accepted collateral values.

All collateral types acceptable within the group are contained in the Group Collateral Catalogue. Locally permitted collateral is defined by the respective bank in accordance with applicable national legal provisions. The valuation and revaluation of collateral is done according to the principles defined in the Group Collateral Catalogue broken down by collateral type and based on the internal work instructions in accordance with the individual supervisory requirements. Whether a type of collateral or a specific collateral asset is accepted for credit risk mitigation is decided by Enterprise-wide Risk Management after determining if the applicable regulatory requirements are met. Credit underwriting monitors adherence to the standard work processes stipulated for assigning the acceptable collateral assets to the categories available.

Main types of collateral

The following types of collateral are accepted:

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

Protection by credit default swaps is only marginally used in the banking book.

Collateral valuation and management

Collateral valuation is based on current market prices while taking into account an amount that can be recovered within a reasonable period. The valuation processes are defined and their IT-supported technical application is performed by Collateral Management at group level and by authorised staff in each country with the assistance of software applications. The allocated collateral values are capped by the amount of the secured transaction. Therefore, imputed excess collateral values are not possible. Only independent appraisers not involved in the lending decision process are permitted to conduct real estate valuations, and the valuation methods to be applied are defined. For quality assurance purposes, the real estate evaluation mechanism and real estate valuations itself are validated on an ongoing basis.

The methods and discounts used for valuations are based on empirical data representing past experience of the workout departments and on the collected data on recoveries from realising collateral. The valuation methods are adjusted regularly – at least once a year – to reflect current recoveries.

The revaluation of collateral is done periodically and is automated as far as possible. In the case of external data sources, the appropriate interfaces are used. The maximum periods for the revaluation of individual collateral assets are predefined and compliance is monitored by risk management using software applications. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons.

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

Collateral obtained in foreclosure proceedings is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding claim. Generally, Erste Group does not occupy repossessed properties for its own business use. The main part of assets taken onto its own books is commercial land and buildings. In addition, residential real estate properties and transport vehicles are taken into Erste Group's possession. As of 31 December 2017, the carrying value of these assets amounted to EUR 167 million (2016: EUR 142 million).

The following tables compare the credit risk exposure broken down by business and geographical segments to the allocated collateral. The amount of allocated collateral corresponds to the accepted value after internal haircuts capped by the exposure amount.

Credit risk exposure by business segment and collateral

			Collateralised by			
in EUR million	Total credit risk exposure	Collateral total	Guarantees	Real estate	Other	Credit risk exposure net of collateral
As of 31 December 2017						
Retail	59,708	33,829	1,199	30,236	2,393	25,879
Corporates	64,114	23,122	4,794	14,246	4,082	40,992
Group Markets	15,921	5,578	631	31	4,916	10,343
Asset/Liability Management and Local Corporate Center	28,479	4,366	741	2	3,624	24,112
Savings Banks	57,696	27,302	1,418	22,503	3,381	30,394
Group Corporate Center	254	18	0	0	18	235
Total	**226,172**	**94,215**	**8,783**	**67,018**	**18,414**	**131,957**
As of 31 December 2016						
Retail	53,972	31,430	1,180	28,098	2,152	22,542
Corporates	61,411	23,773	4,962	14,103	4,708	37,638
Group Markets	15,542	3,476	496	56	2,924	12,066
Asset/Liability Management and Local Corporate Center	27,682	809	686	2	121	26,873
Savings Banks	56,122	26,222	1,396	21,361	3,466	29,900
Group Corporate Center	208	19	0	2	16	189
Total	**214,938**	**85,729**	**8,720**	**63,622**	**13,387**	**129,209**

Credit risk exposure by geographical segment and collateral

in EUR million	Total credit risk exposure	Collateral total	Collateralised by Guarantees	Collateralised by Real estate	Collateralised by Other	Credit risk exposure net of collateral
As of 31 December 2017						
Austria	**125,849**	**60,060**	**5,620**	**43,962**	**10,478**	**65,789**
Erste Bank Oesterreich & Subsidiaries	39,329	23,358	2,224	18,520	2,614	15,972
Savings Banks	57,696	27,302	1,418	22,503	3,381	30,394
Other Austria	28,823	9,401	1,978	2,940	4,483	19,423
Central and Eastern Europe	**95,298**	**33,773**	**2,830**	**23,056**	**7,887**	**61,525**
Czech Republic	45,186	16,935	811	10,083	6,041	28,251
Romania	14,076	4,075	1,138	2,365	571	10,001
Slovakia	17,320	7,279	92	6,898	289	10,041
Hungary	7,875	2,078	170	1,604	305	5,797
Croatia	9,341	2,976	605	1,766	605	6,365
Serbia	1,500	430	15	340	75	1,070
Other	**5,025**	**382**	**333**	**0**	**49**	**4,643**
Total	**226,172**	**94,215**	**8,783**	**67,018**	**18,414**	**131,957**
As of 31 December 2016						
Austria	**124,291**	**57,465**	**5,455**	**42,450**	**9,560**	**66,825**
Erste Bank Oesterreich & Subsidiaries	39,025	22,386	2,159	17,798	2,429	16,639
Savings Banks	56,122	26,222	1,396	21,361	3,466	29,900
Other Austria	29,144	8,858	1,900	3,292	3,665	20,286
Central and Eastern Europe	**83,329**	**27,766**	**2,898**	**21,169**	**3,699**	**55,563**
Czech Republic	36,546	10,294	817	8,604	874	26,252
Romania	14,097	4,949	989	2,426	1,533	9,148
Slovakia	15,723	6,974	116	6,617	241	8,749
Hungary	6,711	2,156	249	1,576	331	4,555
Croatia	9,025	2,998	697	1,673	628	6,027
Serbia	1,227	395	30	273	92	832
Other	**7,318**	**497**	**368**	**2**	**127**	**6,821**
Total	**214,938**	**85,729**	**8,720**	**63,622**	**13,387**	**129,209**

Credit risk exposure by financial instrument and collateral

in EUR million	Total credit risk exposure	Collateral total	Collateralised by Guarantees	Collateralised by Real estate	Collateralised by Other	Credit risk exposure net of collateral	Neither past due nor impaired	Past due but not impaired	Impaired
As of 31 December 2017									
Cash and cash balances – other demand deposits	1,028	193	0	0	193	835	1,021	7	0
Loans and receivables to credit institutions	9,133	6,862	207	0	6,654	2,271	9,121	10	2
Loans and receivables to customers	143,509	80,383	6,335	64,893	9,155	63,126	135,165	2,777	5,566
Financial assets - held to maturity	19,804	362	362	0	0	19,442	19,790	14	0
Financial assets - held for trading	2,887	71	47	0	23	2,817	2,887	0	0
Financial assets - at fair value through profit or loss	403	19	19	0	0	384	403	0	0
Financial assets - available for sale	14,896	766	766	0	0	14,130	14,891	0	5
Positive fair value of derivatives	4,217	1,453	0	0	1,453	2,764	4,216	0	1
Contingent liabilities	30,295	4,107	1,046	2,125	935	26,188	29,780	194	320
Total	**226,172**	**94,215**	**8,783**	**67,018**	**18,414**	**131,957**	**217,275**	**3,002**	**5,895**
As of 31 December 2016									
Cash and cash balances – other demand deposits	1,282	320	0	0	320	961	1,274	7	0
Loans and receivables to credit institutions	3,478	952	137	0	815	2,526	3,470	5	3
Loans and receivables to customers	135,267	77,187	6,466	61,567	9,155	58,080	126,141	2,850	6,276
Financial assets - held to maturity	19,274	248	230	8	10	19,026	19,273	1	0
Financial assets - held for trading	3,396	194	45	0	150	3,202	3,396	0	0
Financial assets - at fair value through profit or loss	336	22	22	0	0	314	336	0	0
Financial assets - available for sale	18,522	855	855	0	0	17,667	18,521	1	1
Positive fair value of derivatives	5,899	1,713	0	0	1,713	4,186	5,896	0	3
Contingent liabilities	27,484	4,237	966	2,047	1,224	23,247	27,086	119	279
Total	**214,938**	**85,729**	**8,720**	**63,622**	**13,387**	**129,209**	**205,395**	**2,982**	**6,561**

In the case of contingent liabilities, the impaired credit risk exposure corresponds to positions for which provisions for credit risks were created.

Credit risk exposure past due and not covered by specific allowances by financial instrument and collateralisation

	Total credit risk exposure						Thereof collateralised					
in EUR million	Total	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due	Total	Thereof 1-30 days past due	Thereof 31-60 days past due	Thereof 61-90 days past due	Thereof 91-180 days past due	Thereof more than 180 days past due
As of 31 December 2017												
Cash and cash balances – other demand deposits	7	7	0	0	0	0	0	0	0	0	0	0
Loans and receivables to credit institutions	10	6	0	0	0	3	0	0	0	0	0	0
Loans and receivables to customers	2,777	2,197	317	156	32	76	1,365	1,068	165	80	13	38
Financial assets - held to maturity	14	0	14	0	0	0	0	0	0	0	0	0
Financial assets - held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - available for sale	0	0	0	0	0	0	0	0	0	0	0	0
Positive fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Contingent liabilities	194	186	5	1	0	1	37	35	0	1	0	0
Total	**3,002**	**2,396**	**336**	**157**	**32**	**80**	**1,402**	**1,103**	**166**	**81**	**13**	38
As of 31 December 2016												
Cash and cash balances – other demand deposits	7	7	0	0	0	0	0	0	0	0	0	0
Loans and receivables to credit institutions	5	4	0	0	0	0	0	0	0	0	0	0
Loans and receivables to customers	2,850	2,096	385	208	71	90	1,579	1,101	232	144	42	60
Financial assets - held to maturity	1	0	0	0	0	1	0	0	0	0	0	0
Financial assets - held for trading	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0
Financial assets - available for sale	1	0	0	0	0	1	0	0	0	0	0	0
Positive fair value of derivatives	0	0	0	0	0	0	0	0	0	0	0	0
Contingent liabilities	119	112	6	1	0	0	35	32	2	0	0	0
Total	**2,982**	**2,220**	**391**	**209**	**71**	**92**	**1,614**	**1,133**	**234**	**144**	**42**	**60**

In the case of contingent liabilities, the impaired credit risk exposure corresponds to positions for which provisions for credit risks were created.

All claims presented in the table above were classified as non-performing if they were more than 90 days past due. Allowances are, as a rule, established for assets that are more than 90 days past due. However, specific allowances are not established if the loans and other receivables are covered by adequate collateral.

Loans and receivables to customers

This section presents the customer loan book excluding loans to financial institutions and commitments. The results depicted in the tables below are divided by reporting segment and risk category.

Breakdown of loans and receivables to customers

On the following pages the loans and receivables to customers are categorized as:

_ business segment and risk category;
_ geographical segment and risk category;
_ Non-performing loans and receivables to customers by business segment and coverage by loan loss allowances and collateral;
_ Non-performing loans and receivables to customers by geographical segment and coverage by loan loss allowances and collateral;
_ business segment and currency;
_ geographical segment and currency.

Loans and receivables to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 31 December 2017					
Retail	45,516	5,025	501	1,691	52,734
Corporates	40,790	3,729	417	2,312	47,249
Group Markets	933	231	5	0	1,169
Asset/Liability Management and Local Corporate Center	111	30	51	14	206
Savings Banks	34,551	5,159	654	1,758	42,122
Group Corporate Center	20	4	5	1	30
Total	**121,921**	**14,179**	**1,633**	**5,776**	**143,509**
As of 31 December 2016					
Retail	41,013	5,034	487	1,946	48,480
Corporates	37,692	3,956	334	2,738	44,720
Group Markets	975	285	5	0	1,265
Asset/Liability Management and Local Corporate Center	97	23	38	13	171
Savings Banks	32,504	5,417	710	1,980	40,611
Group Corporate Center	15	1	2	1	19
Total	**112,297**	**14,715**	**1,577**	**6,678**	**135,267**

Loans and receivables to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Gross customer loans
As of 31 December 2017					
Austria	**74,809**	**7,960**	**1,019**	**3,112**	**86,900**
Erste Bank Oesterreich & Subsidiaries	28,681	2,181	294	631	31,787
Savings Banks	34,551	5,159	654	1,758	42,122
Other Austria	11,578	620	71	723	12,991
Central and Eastern Europe	**46,934**	**6,214**	**609**	**2,639**	**56,396**
Czech Republic	22,481	2,298	183	525	25,487
Romania	5,452	1,559	116	632	7,759
Slovakia	10,514	1,014	62	458	12,048
Hungary	3,038	416	103	209	3,766
Croatia	4,601	849	138	783	6,371
Serbia	848	79	6	32	965
Other	**179**	**4**	**5**	**25**	**212**
Total	**121,921**	**14,179**	**1,633**	**5,776**	**143,509**
As of 31 December 2016					
Austria	**71,069**	**8,668**	**1,003**	**3,447**	**84,186**
Erste Bank Oesterreich & Subsidiaries	27,705	2,316	244	781	31,046
Savings Banks	32,504	5,417	710	1,980	40,611
Other Austria	10,859	936	48	686	12,529
Central and Eastern Europe	**41,159**	**6,047**	**572**	**3,198**	**50,975**
Czech Republic	19,067	2,046	130	695	21,939
Romania	5,297	1,594	71	928	7,890
Slovakia	9,028	948	102	475	10,552
Hungary	2,552	476	111	339	3,478
Croatia	4,563	870	147	704	6,285
Serbia	653	111	12	56	832
Other	**70**	**1**	**2**	**33**	**105**
Total	**112,297**	**14,715**	**1,577**	**6,678**	**135,267**

In the following tables, the non-performing loans and receivables to customers divided by reporting segment are contrasted with allowances for customer loans (specific and collective allowances) and the collateral for non-performing loans (NPL). The NPL ratio, the NPL coverage ratio (excl. collateral), and the NPL total coverage ratio are also included. The NPL total coverage ratio specifies the coverage of non-performing loans by specific and collective allowances as well as by collateral for non-performing loans.

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

in EUR million	Non-performing	Gross customer loans	Allowances for customer loans	Specific allowances	Collective allowances	NPL ratio	NPL coverage ratio (excl. collateral)	Collateral for NPL	NPL total coverage ratio
As of 31 December 2017									
Retail	1,691	52,734	1,319	1,075	244	3.2%	78.0%	714	120.2%
Corporates	2,312	47,249	1,605	1,310	294	4.9%	69.4%	807	104.3%
Group Markets	0	1,169	2	0	2	0.0%	>500.0%	0	>500.0%
Asset/Liability Management and Local Corporate Center	14	206	25	12	14	6.6%	187.7%	0	190.5%
Savings Banks	1,758	42,122	1,026	875	151	4.2%	58.3%	850	106.7%
Group Corporate Center	1	30	0	0	0	2.3%	16.5%	1	115.5%
Total	**5,776**	**143,509**	**3,977**	**3,272**	**705**	**4.0%**	**68.8%**	**2,372**	**109.9%**
As of 31 December 2016									
Retail	1,946	48,480	1,463	1,190	273	4.0%	75.2%	849	118.8%
Corporates	2,738	44,721	1,979	1,698	281	6.1%	72.3%	1,094	112.2%
Group Markets	0	1,265	3	0	3	0.0%	0.0%	0	0.0%
Asset/Liability Management and Local Corporate Center	13	171	18	6	12	7.6%	138.5%	1	146.2%
Savings Banks	1,980	40,611	1,150	993	157	4.9%	58.1%	967	106.9%
Group Corporate Center	1	19	0	0	0	5.3%	0.0%	1	100.0%
Total	**6,678**	**135,267**	**4,613**	**3,887**	**726**	**4.9%**	**69.1%**	**2,913**	**112.7%**

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

in EUR million	Non-performing	Gross customer loans	Allowances for customer loans	Specific allowances	Collective allowances	NPL ratio	NPL coverage ratio (excl. collateral)	Collateral for NPL	NPL total coverage ratio
As of 31 December 2017									
Austria	**3,112**	**86,900**	**1,749**	**1,503**	**246**	**3.6%**	**56.2%**	**1,437**	**102.4%**
Erste Bank Oesterreich & Subsidiaries	631	31,787	360	310	50	2.0%	57.1%	324	108.4%
Savings Banks	1,758	42,122	1,026	875	151	4.2%	58.3%	850	106.7%
Other Austria	723	12,991	363	318	44	5.6%	50.2%	263	86.6%
Central and Eastern Europe	**2,639**	**56,396**	**2,214**	**1,757**	**457**	**4.7%**	**83.9%**	**935**	**119.3%**
Czech Republic	525	25,487	486	381	105	2.1%	92.5%	120	115.3%
Romania	632	7,759	586	449	137	8.1%	92.7%	222	127.8%
Slovakia	458	12,048	365	290	75	3.8%	79.7%	200	123.3%
Hungary	209	3,766	186	125	61	5.5%	89.3%	122	147.5%
Croatia	783	6,371	556	490	66	12.3%	70.9%	262	104.3%
Serbia	32	965	36	22	14	3.3%	112.0%	10	143.4%
Other	**25**	**212**	**14**	**12**	**2**	**11.7%**	**56.6%**	**1**	**59.4%**
Total	**5,776**	**143,509**	**3,977**	**3,272**	**705**	**4.0%**	**68.8%**	**2,372**	**109.9%**
As of 31 December 2016									
Austria	**3,447**	**84,186**	**2,052**	**1,769**	**283**	**4.1%**	**59.5%**	**1,599**	**105.9%**
Erste Bank Oesterreich & Subsidiaries	781	31,046	463	401	62	2.5%	59.3%	366	106.1%
Savings Banks	1,980	40,611	1,150	993	157	4.9%	58.1%	967	106.9%
Other Austria	686	12,529	438	375	63	5.5%	63.8%	266	102.6%
Central and Eastern Europe	**3,198**	**50,975**	**2,529**	**2,086**	**443**	**6.3%**	**79.1%**	**1,281**	**119.1%**
Czech Republic	695	21,939	575	482	93	3.2%	82.7%	220	114.4%
Romania	928	7,890	792	660	132	11.8%	85.3%	329	120.8%
Slovakia	475	10,552	343	254	89	4.5%	72.2%	240	122.7%
Hungary	339	3,478	254	203	51	9.7%	74.9%	177	127.1%
Croatia	704	6,285	510	447	63	11.2%	72.4%	299	114.9%
Serbia	56	832	56	42	14	6.7%	100.0%	16	128.6%
Other	**33**	**105**	**32**	**32**	**0**	**31.4%**	**97.0%**	**33**	**197.0%**
Total	**6,678**	**135,267**	**4,613**	**3,887**	**726**	**4.9%**	**69.1%**	**2,913**	**112.7%**

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

Loans and receivables to customers by business segment and currency

in EUR million	EUR	CEE-local currencies	CHF	USD	Other	Gross customer loans
As of 31 December 2017						
Retail	29,642	21,228	1,466	18	380	52,734
Corporates	34,500	9,164	405	2,269	911	47,249
Group Markets	706	306	0	156	1	1,169
Asset/Liability Management and Local Corporate Center	147	57	0	1	1	206
Savings Banks	38,853	392	2,237	83	557	42,122
Group Corporate Center	11	19	0	0	0	30
Total	**103,858**	**31,166**	**4,107**	**2,528**	**1,849**	**143,509**
As of 31 December 2016						
Retail	27,227	19,162	1,858	20	213	48,480
Corporates	33,240	8,050	501	2,413	517	44,721
Group Markets	809	271	6	176	3	1,265
Asset/Liability Management and Local Corporate Center	137	31	0	1	2	171
Savings Banks	36,662	0	2,988	80	881	40,611
Group Corporate Center	0	19	0	0	0	19
Total	**98,075**	**27,533**	**5,353**	**2,690**	**1,617**	**135,267**

Loans and receivables to customers by geographical segment and currency

in EUR million	EUR	CEE-local currencies	CHF	USD	Other	Gross customer loans
As of 31 December 2017						
Austria	**78,985**	**0**	**4,005**	**2,147**	**1,763**	**86,900**
Erste Bank Oesterreich & Subsidiaries	30,040	0	1,590	46	112	31,787
Savings Banks	38,853	0	2,237	83	949	42,122
Other Austria	10,093	0	178	2,018	702	12,991
Central and Eastern Europe	**24,697**	**31,135**	**102**	**375**	**86**	**56,396**
Czech Republic	3,392	21,866	1	164	64	25,487
Romania	3,413	4,202	0	143	0	7,759
Slovakia	12,004	0	0	28	16	12,048
Hungary	886	2,850	27	3	0	3,766
Croatia	4,264	2,005	63	33	6	6,371
Serbia	738	212	11	4	0	965
Other	**176**	**31**	**0**	**6**	**0**	**212**
Total	**103,858**	**31,166**	**4,107**	**2,528**	**1,849**	**143,509**
As of 31 December 2016						
Austria	**75,200**	**0**	**5,205**	**2,261**	**1,521**	**84,187**
Erste Bank Oesterreich & Subsidiaries	28,729	0	2,089	86	142	31,046
Savings Banks	36,662	0	2,988	80	881	40,611
Other Austria	9,810	0	128	2,095	497	12,529
Central and Eastern Europe	**22,823**	**27,487**	**149**	**421**	**96**	**50,976**
Czech Republic	2,846	18,930	1	96	65	21,939
Romania	3,807	3,875	0	208	0	7,890
Slovakia	10,487	0	0	42	23	10,552
Hungary	638	2,765	52	24	0	3,478
Croatia	4,405	1,744	82	45	8	6,285
Serbia	641	172	14	5	0	832
Other	**51**	**46**	**0**	**8**	**0**	**105**
Total	**98,075**	**27,533**	**5,353**	**2,690**	**1,617**	**135,267**

Securitisations

As of 31 December 2017, Erste Group held a further reduced residual portfolio of securitisations; there were no new investments undertaken and all repayments were made as scheduled in 2016.

As of year-end 2017, the carrying amount of Erste Group's securitisation portfolio totalled EUR 69.2 million. The entire exposure is investment-grade rated.

EUR 63.6 million consist of US student loans. All securitisations have been issued and bought before the financial crisis.

44.5 Market risk

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

Methods and instruments employed

At Erste Group, potential losses that may arise from market movements are assessed using the value at risk (VaR). The calculation is done according to the method of historic simulation with a one-sided confidence level of 99%, a holding period of one day and a simulation period of two years. The VaR describes what level of losses may be expected as a maximum at a defined probability – the confidence level – within a certain holding period of the positions under historically observed market conditions.

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

This shows one of the limits of the VaR approach: on the one hand, the confidence level is limited to 99%, and on the other hand, the model takes into account only those market scenarios observed in each case within the simulation period of two years, and calculates the

VaR for the current position of the bank on this basis. In order to investigate any extreme market situations beyond this, stress tests are conducted at Erste Group. These events include mainly market movements of low probability.

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

Standard scenarios are calculated in which the individual market factors are exposed to extreme movements. Such scenarios are calculated at Erste Group for interest rates, stock prices, exchange rates and volatilities. Historic scenarios are a modification of the concept of standard scenarios. In this case, risk factor movements after certain events such as '9/11'or the 'Lehman bankruptcy' form the basis of the stress calculation. In order to calculate historical probabilistic scenarios, the most significant risk factors for the current portfolio are determined and their most adverse movement during the last years is applied. For the probabilistic scenarios, shifts of important market factors are determined for various quantiles of their distributions, and these values are then used to calculate stress results. These analyses are made available to the management board and the supervisory board within the scope of the monthly market risk reports.

The implemented market risk model was approved by ECB in December 2016 as an internal model to determine the own funds requirements for the trading books of Erste Group Bank AG and Ceská spořitelna, a.s. on an individual level and additionally for the trading books of Slovenská sporitel'ňa a.s., Erste Bank Hungary Zrt., and Erste Befektetési Zrt. on consolidated basis. The infrastructure brought significant improvements with regards to flexible shift methodologies of historical scenarios, product- and market data coverage, and the reporting infrastructure.

Methods and instruments of risk mitigation

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

All market risk activities of the trading book are assigned risk limits that are statistically consistent in their entirety with the overall VaR limit. The VaR limit is assigned in a top-down procedure to the individual trading units. This is done down to the level of the individual trading groups or departments. Additionally, in a bottom-up procedure, sensitivity limits are assigned to even smaller units all the way down to the desk level. These are then aggregated and applied as a second limit layer to the VaR limits.

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

The VaR is calculated every day at group level and made available to the individual trading units as well as to the superior management levels all the way up to the management board.

Banking book positions are subjected to a monthly VaR analysis. In this manner, the total Vary is determined with exactly the same methodology as for the trading book. In addition to Vary, a long-horizon risk measure is used to gauge the interest rate risk; credit spread risk of the banking book, and foreign exchange risk of equity participations. For this purpose, a historical simulation approach looking back ten years and with a one-year holding period was chosen. The result of these calculations is presented in the monthly Group ALCO to the management board.

Analysis of market risk

The following tables show the Vary amounts at the 99% confidence level using equally weighted market data and with a holding period of one day:

Value at Risk of banking book and trading book

in EUR million	Total	Interest	Currency	Shares	Commodity	Volatility
As of 31 December 2017						
Erste Group	21,050	20,531	701	1,039	656	411
Banking book	16,066	16,066	0	0	0	0
Trading book	4,984	4,465	701	1,039	656	411
As of 31 December 2016						
Erste Group	18,460	18,147	998	1,358	287	344
Banking book	15,069	15,163	118	0	0	0
Trading book	3,391	2,984	880	1,358	287	344

The method used is subject to limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved. This restriction applies to the inclusion of credit spreads in the calculation of the VaR. Credit spreads are only applied to sovereign issuers. For all other positions, only the general market risk is considered.

Interest rate risk in the banking book

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

In order to identify interest rate risk, all financial instruments, including transactions not recognised on the balance sheet, are grouped into maturity bands based on their remaining terms to maturity or terms to an interest rate adjustment. Positions without a fixed maturity (e.g. demand deposits) are included on the basis of modelled deposit rates that are determined by means of statistical methods.

To the low or even negative interest rate environment since 2015, which poses a challenge for the interest rate risk measurement and management of banks, Erste Group responded in the last years by adjusting its methodologies for measuring the interest rate risk. No floor on interest rates is applied for internal risk calculations. For the regulatory interest rate risk measure, the result of the downward shock is floored at the level of the current negative rate or at zero in case the current rate is positive (in line with EBA requirements).

The following tables list the open fixed-income positions held by Erste Group in the four currencies that carry a significant interest rate risk: EUR, CZK, HUF and RON.

Only the open fixed-income positions that are not allocated to the trading book are presented. Positive values indicate fixed-income risks on the asset side, i.e. a surplus of asset items; negative values represent a surplus on the liability side.

Open fixed-income positions not assigned to the trading book

in EUR million	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
As of 31 December 2017					
Fixed-interest gap in EUR positions	-2,317.2	-3,777.9	-2,540.8	-2,322.4	2,136.9
Fixed-interest gap in CZK positions	3,138.4	1,017.7	-656.8	-2,795.9	150.0
Fixed-interest gap in HUF positions	-164.2	514.4	18.0	-460.5	1.0
Fixed-interest gap in RON positions	470.6	521.2	46.7	100.6	0.4
As of 31 December 2016					
Fixed-interest gap in EUR positions	-1,368.1	-1,575.1	-1,080.8	208.7	2,583.3
Fixed-interest gap in CZK positions	3,367.0	-357.3	-1,265.7	-2,594.3	49.2
Fixed-interest gap in HUF positions	-164.6	310.3	96.8	-341.2	-0.3
Fixed-interest gap in RON positions	318.0	596.5	-2.4	-99.2	87.0

Credit spread risk

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

For the trading book, credit spread risk for government bonds is part of the general market risk covered by VaR and SVaR. Corporate bonds are allocated to benchmark spread curves depending on sector, rating, and currency as part of the general risk covered by Var and

SVaR. The issuer specific risk is covered by the standardized approach for Pillar 1 of regulatory capital requirements. For the issuer specific risk of the trading book in Pillar 2, the spread risk is decomposed in a systematic and a residual part risk and reported on aggregated.

The quantification of the credit spread risk of the securities in the banking book is based on a historical simulation. The maximum (hypothetical) drawdown that can be attributed to credit related risk factors over one-year horizon is calculated. It is based on credit spread sensitivities (CR01) and the risk factors used are mainly asset swap spreads for sovereigns and iTRAXX CDS indices for financials and corporates. The resulting amount is used as part of the Pillar 2 calculations to determine the capital consumption of the banking book portfolio.

Exchange rate risk
The bank is exposed to several types of risks related to exchange rates. These concern risks from open foreign exchange positions and others.

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

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

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

The following table shows the largest open foreign currency positions of Erste Group as of 31 December 2017 and the corresponding open positions of these currencies as of 31 December 2016 (excluding foreign currency positions arising from equity participation).

Open foreign currency positions

in EUR thousand	Dec 16	Dec 17
US Dollar (USD)	27,555	79,473
Czech Koruna (CZK)	-170,654	40,548
Hungarian Forint (HUF)	-4,862	-26,170
Romanian Leu (RON)	6,387	19,270
British Pound (GBP)	2,291	-10,685
Polish Zloty (PLN)	527	-5,424
Serbian Dinar (RSD)	6,824	5,397
Swedish Krona (SEK)	166	3,505
Japanese Yen (JPY)	109	-3,308
Norwegian Krone (NOK)	396	1,607

Hedging
Banking book market risk management consists of optimising Erste Group's risk position by finding the proper trade-off between the economic value of the balance sheet and forecasted earnings. Decisions are based on the balance sheet development, economic environment, competitive landscape, fair value of risk, effect on net interest income and appropriate liquidity position. The steering body responsible for interest rate risk management is ALCO. ALM submits proposals for actions to steer the interest rate risk to ALCO and implements ALCO's decisions.

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

44.6 Liquidity risk

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 (Capital Regulations Requirement (CRR) - Regulation (EU) No 575/2013, Delegated Regulation (EU) 2015/61, 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.

Liquidity strategy

In 2017, client deposits remained the primary source of funding for Erste Group: the volume of client deposits increased to EUR 150.9 billion as of year-end 2017 (2016: EUR 138.0 billion), amounting to 68% (2016: 66%) of the balance sheet total. Due to the fact that client deposits inflows surpassed the growth of loan production, the loan-to-deposit ratio was further decreasing to 92% (2016: 95%). The increased excess liquidity was placed to central banks.

With regards to own issuance, Erste Group Bank AG issued EUR 2.1 billion in bonds in 2017 (2016: EUR 2.0 billion) which in net terms was in accordance with the size of the budgeted figure. EUR 750 million (2016: EUR 750 million) was collected via a mortgage covered bond in benchmark size. EUR 577 million (2016: EUR 578 million) was collected by issuing senior unsecured bonds via private placements or the retail network. Tier 2 subordinated debt issuance was in the size of EUR 273 million (2016: EUR 219 million). This was offset by repurchases of EUR 147 million (2016: EUR 219 million). Erste Group Bank AG issued its second Additional Tier 1 (AT1) transaction (EUR 500 million benchmark) (2016: EUR 500 million) which is compliant with CRD IV (Capital Requirements Directive IV) and CRR (Capital Requirements Regulation). The average tenor of all new issues in 2017 is approximately 7.5 years (2016: 6.5 years).

Since 2014, the ECB supports bank lending to the non-financial sector through a series of targeted longer-term refinancing operations (TLTROs) with a maturity of up to four years and an early repayment option. Erste Group's total TLTRO participation increased in 2017 to EUR 3.5 billion (2016: EUR 2.3 billion).

Liquidity ratios

With the implementation of the CRR at the beginning of 2014, new liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) have been introduced as ratios relevant for reporting purposes. For the LCR, the European Commission released a Delegated Regulation (EU) 2015/61 of 10 October 2014 (LCR DA), published in the Official Journal of the European Union on 17 January 2015, specifying details on the ratio and setting a binding minimum requirement for the ratio as of 1 October 2015. Since 30 September 2016 the LCR has to be reported according to the LCR DA. The LCR represents a ratio of highly liquid assets vis-à-vis net cash outflows over a 30 day time horizon. The minimum ratio has been set at 60% for 2015 (from 1 October), 70% for 2016, 80% for 2017 and 100% from 2018. The NSFR remains for the time being a reporting requirement only, with a binding minimum requirement potentially introduced from 2018. The NSFR represents a ratio of available stable funding vis-à-vis required stable funding within a 12 month time horizon. Both, LCR according LCR DA and NSFR have been implemented within Erste Group.

Methods and instruments employed

Short-term insolvency risk is monitored by calculating the survival period for each 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 collateralised derivative transactions estimating the effect of collateral outflows in the case of adverse market movements. To reflect the reputational risk from callable own issues, the principal outflows from these liabilities are modelled to the next call date in all stress scenarios.

Erste Group successfully implemented a new software solution for the calculation of the Liquidity Coverage Ratio according to the delegated regulation (EU) 2015/61 and is reporting this ratio on a monthly basis to the authorities on solo and group level. Additionally, Erste Group is calculating the Net Stable Funding Ratio (NSFR) according to the CRR based on the weights of the 'Basler Ausschusses für Bankenaufsicht' (BCBS) and is constantly participating and reporting the QIS monitoring according to the BCBS guidelines. Internally, these ratios are monitored on entity level as well as on group level. Since 2014 the LCR (from 2014 to 2016 LCR according to CRR, since 2017 LCR according to the delegated LCR DA) is part of the internal Risk Appetite Statement, targeting to be above the future regulatory requirement. Erste Group is reporting the NSFR according to the CRR in the quarterly Short Term Exercise to the regulator.

Legal lending limits exist in all CEE countries where Erste Group is represented. As they restrict liquidity flows between Erste Group's subsidiaries in different countries they are taken into account for the assessment of liquidity risk in the survival period model as well as in the calculation of the Liquidity Coverage Ratio at group level.

Additionally, the traditional liquidity gaps (depicting the going concern maturity mismatches) of the subsidiaries and the group as a whole are reported and monitored regularly. Concentration risks in the 'Counterbalancing Capacity' (CBS), in terms of funds and assets are regularly monitored and reported to the regulator. Erste Group's funds transfer pricing (FTP) system has also proven to be an efficient tool for structural liquidity risk management.

In 2017, Erste Group successfully enhanced the new reporting system and thus ensures a further improvement of the granularity and flexibility in the reporting of many aspects of the liquidity risk besides the reporting of regulatory requirements. New liquidity measures and limits such as a short term liquidity limit and structural liquidity limits will be valid from 2018 onwards. Updated regulatory requirements, such as the reporting of the maturity ladder in the Additional Liquidity Monitoring Metrics are currently in the focus of further improvements in the reporting framework.

Methods and instruments of risk mitigation

Short-term liquidity risk is managed by limits resulting from the survival period model, internal stress testing and by internal LCR targets at both entity and group level. Limit breaches are reported to the Group Asset Liability Committee (ALCO). Another important instrument for managing the liquidity risk within Erste Group Bank AG and in relation to its subsidiaries is the FTP system. Important information for liquidity management can be obtained by the process of planning funding needs. Therefor a detailed overview of funding needs is prepared on a quarterly basis for the planning horizon across Erste Group.

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

Analysis of liquidity risk

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

Liquidity coverage ratio

Erste Group uses the regulatory liquidity coverage ratio according the delegated regulation (EU) 2015/61 (LCR according LCR DA) for internal monitoring and steering of the liquidity position as well. In order to keep the LCR according LCR DA above both limits, the regulatory limit and the internal limit, Erste Group closely monitors its short-term liquidity inflows and outflows as well as its available counterbalancing capacity.

The following table shows the LCR DA as of 31 December 2017:

Liquidity coverage ratio

in EUR million	Dec 17
Liquidity buffer	39,849
Net liquidity outflow	27,439
Liquidity coverage ratio	145.2%

Liquidity gaps

The long-term liquidity position is managed using liquidity gaps on the basis of expected cash flows. This liquidity position is calculated for each material currency and based on the assumption of ordinary business activity. Fulfilment of the internal and regulatory liquidity risk requirements as well as the current and expected market environment is also taken into account.

Expected cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. All products without contractual maturities (such as demand deposits and overdrafts) are shown in the first time bucket, irrespective of the statistically observed client behaviour.

The following table shows the liquidity gaps as of 31 December 2017 and 31 December 2016:

Liquidity gap

	< 1 month		1-12 months		1-5 years		> 5 years	
in EUR million	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17	Dec 16	Dec 17
Liquidity gap	-25,550	-36,581	-12,049	-7,183	9,220	14,336	28,379	29,428

An excess of assets over liabilities is indicated by a positive value, while an excess of liabilities over assets is indicated by a negative value. The callable own issues are modelled to their next call dates. The cash inflows from liquid securities amounting to EUR 33.9 billion (2016: EUR 37.2 billion), which are accepted as collateral by the central banks to which Erste Group has access, are taken into account in the first time bucket rather than considering them at their contractual maturity.

Counterbalancing capacity

Erste Group regularly monitors its counterbalancing capacity, which consists of cash, excess minimum reserves at the central banks as well as unencumbered central bank eligible assets and other liquid securities, including impacts from repos, reverse repos and securities lending transactions. These assets can be mobilised in the short term to offset potential cash outflows in a crisis situation. The term structure of the group's counterbalancing capacity as of year-end 2017 and year-end 2016 are shown in the tables below:

Term structure of counterbalancing capacity

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
As of 31 December 2017					
Cash, excess reserve	10,651	-224	0	-63	0
Liquid assets	33,289	-2,704	-270	302	703
Other central bank eligible assets	5,184	0	463	0	0
Thereof retained covered bonds	3,579	0	463	0	0
Thereof credit claims	1,605	0	0	0	0
Counterbalancing capacity	**49,124**	**-2,929**	**193**	**239**	**703**
As of 31 December 2016					
Cash, excess reserve	15,370	-119	0	0	0
Liquid assets	29,120	185	-1,029	-710	248
Other central bank eligible assets	5,474	48	465	367	367
Thereof retained covered bonds	3,245	0	465	367	367
Thereof credit claims	2,229	48	0	0	0
Counterbalancing capacity	**49,964**	**114**	**-564**	**-343**	**616**

The figures above show the total amount of potential liquidity available for the group in a going concern situation, taking into account the applicable central bank haircuts. In a crisis situation adverse market movements and legal transfer restrictions among group members can decrease this amount. Taking into account these effects, the initial counterbalancing capacity available at group level is reduced by additional haircuts and liquidity transfer constraints (e.g. legal lending limits). Negative figures are maturing positions of the counterbalancing capacity. Positive figures after 1 week are positions not immediately available as counterbalancing capacity.

Financial liabilities

Maturities of contractual undiscounted cash flows from financial liabilities as of 31 December 2017 and 31 December 2016 respectively, were as follows:

Financial liabilities

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
As of 31 December 2017						
Non-derivative liabilities	**192,424**	**195,823**	**112,336**	**32,193**	**36,506**	**14,788**
Deposits by banks	16,349	16,455	7,602	1,563	5,897	1,393
Customer deposits	150,921	151,746	104,232	26,800	16,837	3,877
Debt securities in issue	19,337	20,929	477	3,070	10,107	7,275
Subordinated liabilities	5,817	6,692	25	760	3,664	2,243
Derivative liabilities	**2,937**	**3,406**	**229**	**947**	**1,719**	**511**
Contingent liabilities	**0**	**30,295**	**30,295**	**0**	**0**	**0**
Financial guarantees	0	6,985	6,985	0	0	0
Irrevocable commitments	0	23,310	23,310	0	0	0
Total	**195,362**	**229,523**	**142,860**	**33,140**	**38,225**	**15,299**
As of 31 December 2016						
Non-derivative liabilities	**179,821**	**184,429**	**95,548**	**35,032**	**37,448**	**16,402**
Deposits by banks	14,631	14,717	7,015	1,951	4,601	1,151
Customer deposits	137,939	138,750	87,632	28,755	18,978	3,385
Debt securities in issue	21,153	23,927	409	3,945	10,882	8,691
Subordinated liabilities	6,098	7,036	492	381	2,987	3,175
Derivative liabilities	**4,185**	**4,566**	**282**	**1,182**	**2,387**	**714**
Contingent liabilities	**0**	**27,484**	**27,484**	**0**	**0**	**0**
Financial guarantees	0	6,577	6,577	0	0	0
Irrevocable commitments	0	20,907	20,907	0	0	0
Total	**184,005**	**216,479**	**123,314**	**36,215**	**39,835**	**17,116**

As of year-end 2017, the currency composition of the non-derivative liabilities consisted of approximately 70% EUR, 18% CZK, 4% RON, 4% USD, and 4% in other currencies (2016: 72% EUR, 16% CZK, 4% RON, 4% USD, 4% in other currencies).

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is estimated from the collateralised derivative transactions for the stress testing, which amounted to EUR 406.1 million (2016: EUR 474.1 million) in the worst-case scenario as of 31 December 2017.

As of 31 December 2017, the volume of customer deposits due on demand amounted to EUR 93.8 billion (2016: EUR 77.0 billion). According to customer segments, the customer deposits are composed as follows: 63% private individuals, 15% large corporates, 14% small and medium-sized enterprises, 5% public sector, and 3% non-banking financial institutions (2016: 68% private individuals, 15% large corporates, 9% small and medium-sized enterprises, 4% public sector, and 4% non-banking financial institutions). The deposits by banks include the top five providers of funds.

44.7 Operational risk

In line with Article 4 Section 52 of regulation (EU) 575/2013 (CRR), Erste Group defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks. Both quantitative and qualitative methods are used to identify operational risks. Consistent with international practice, the responsibility for managing operational risk rests with the line management.

Methods and instruments employed

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

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

Methods and instruments of risk mitigation

In addition to quantitative methods, qualitative methods are also used to determine operational risk, such as risk assessment surveys. The results and suggestions for risk control in these surveys, which are conducted by experts, are reported to the line management and thus help to reduce operational risks. Furthermore, to ensure early detection of changes in risk potential that may lead to losses, Erste Group periodically assesses a number of key risk indicators like, system availability, staff turnover, or customer complaints.

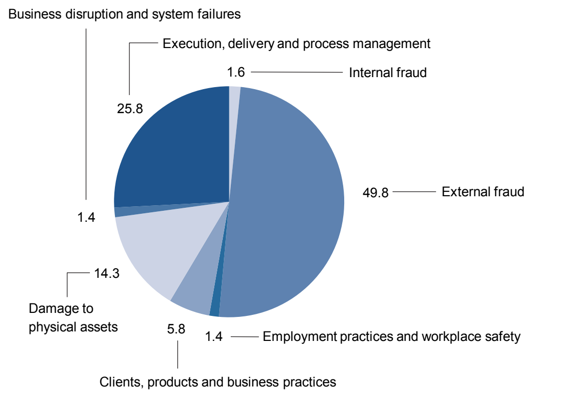
Erste Group uses a group-wide insurance program which has reduced the cost of meeting Erste Group's traditional property insurance needs and made it possible to buy additional insurance for previously uninsured bank-specific risks. This program uses a captive reinsurance entity as a vehicle to share losses within the group and access the external market. The quantitative and qualitative methods used, together with the insurance strategy and the modelling approaches described above, form the operational risk framework of Erste Group. Information on operational risk is periodically communicated to the management board via various reports, including the quarterly top management reports, which describe the recent loss history, loss development, qualitative information from risk assessments and key risk indicators as well as the operational VaR for Erste Group.

Distribution of operational risk events

Detailed below is the percentage composition by type of event of operational risk sources as defined by Article 324 CRR. The observation period is from 1 January 2013 to 31 December 2017.

The event type categories are as follows:
- internal fraud: Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or company policy, excluding diversity or discrimination events that involve at least one internal party.
- external fraud: Losses due to acts by a third party of a type intended to defraud, misappropriate property or circumvent the law.
- employment practices and workplace safety: Losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity or discrimination events.
- clients, products and business practices: Losses arising from unintentional or negligent failure to meet a professional obligation to specific clients (including fiduciary and suitability requirements) or from the nature or design of a product.
- damage to physical assets: Losses arising from loss of or damage to physical assets caused by natural disaster 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. Losses pertaining to relationships with trading counterparties and vendors or suppliers.

Event type categories in %, 1.1.2013 – 31.12.2017



45. Hedge accounting

The interest rate risk of the banking book is managed by Group ALM. Preference in managing interest rate risk is given to using bonds, loans or derivatives, with hedge accounting for derivatives usually applied in accordance with IFRS. The main guideline for interest rate risk positioning is the Group Interest Rate Risk Strategy that is approved by the Group ALCO for the relevant time period.

Fair value hedges are employed to reduce interest rate risk of issued bonds, purchased securities, loans or deposits on the Erste Group balance sheet. In general, Erste Group policy is to swap all substantial fixed or structured issued bonds to floating items and as such to manage the

targeted interest rate risk profile by other balance sheet items. Interest rate swaps are the most common instruments used for fair value hedges. Concerning loans, purchased securities and securities in issuance, fair value is also hedged by means of swaptions, caps, floors and other types of derivative instruments.
In the second quarter of 2016 Erste Group has terminated all its EUR denominated IFRS cash flow hedge relationships (total notional of the hedged items: EUR 2.8 bn, residual maturity: slightly above 4 years) on the balance sheets of Austrian subsidiaries. The decision for the early termination has been driven by the expected hedge inefficiency coming from the floored interest rate (set at zero) on client loans. The termination value of the cash flow hedges, which is amortized through net interest income over the residual maturity, was EUR 48.9 million. As of 31 December 2017 the notional amount of the remaining hedged items in cash flow hedges on Group level amounts to EUR 2,288 million (2016: EUR 988 million). The majority of the hedged cash flows are likely to occur within the next six years and will then be recognised in the consolidated income statement.

In the reporting period, EUR 31.4 million (2016: EUR 31.6 million) was taken from the cash flow hedge reserve and recognised as income in the consolidated income statement; while EUR -73.9 million (2016: EUR 18.2 million) was recognised directly in other comprehensive income. Inefficiency from cash flow hedges amounting to EUR -1.6 million (2016: EUR 27.4 million) is reported in the net trading result. In 2016 this inefficiency was mainly caused by the zero percent interest rate floor in the hedged client loans until the early termination of the respective cash flow hedges.

Fair value hedges in 2017 resulted in losses of EUR 407.5 million (2016: losses of EUR 17.8 million) on hedging instruments and gains of EUR 406.0 million on hedged items (2016: gains of EUR 3.3 million).

Fair values of hedging instruments are disclosed in the following table:

	Dec 16		Dec 17	
in EUR million	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Hedging instrument - fair value hedge	1,980	586	1,373	414
Hedging instrument - cash flow hedge	14	3	10	67

46. Fair value of financial instruments

All financial instruments are measured at fair value on recurring basis.

Financial instruments carried at fair value

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

Description of valuation models and parameters

Erste Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been determined independently. In case of a negative interest rate environment Erste Group uses models which are able to deal sufficiently with the presented market conditions. Consequently, such negative interest rates do not restrict the valuation models.

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

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

The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognized in an investee's statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting fair values of the recognized and unrecognized assets and liabilities should therefore represent the fair value of the investee's equity. The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the relevered beta and the country risk premium. The relevered beta is derived from the industry classification which is published and maintained by Damodaran. In rare cases, techniques for non-trading equity instruments may also include models based on multiples. The comparable company multiple method is a valuation technique within the market approach that uses prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined in consistency with similar instruments held as assets. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances.

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

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

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

According to the described methodology the accumulated CVA-adjustments amounts to EUR 10.8 million (2016: EUR 26 million) and the total DVA-adjustment amounts to EUR 3.9 million (2016: EUR 8.2 million).

Validation and control

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

Fair value hierarchy

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

Level 1 of the fair value hierarchy

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

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

Level 2 of the fair value hierarchy

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

These include OTC derivatives, less liquid shares, bonds and funds as well as collateralized mortgage obligations (CMO), US-american student loan securities and own issues.

Level 3 of the fair value hierarchy

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

These include shares, participations and funds not quoted, illiquid bonds as well as collateralized mortgage obligations (CMO) as well as loans, participations, own issues and deposits.

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

The following table shows the classification of financial instruments carried at fair value with respect to levels of the fair value hierarchy.

in EUR million	Dec 16 Level 1	Dec 16 Level 2	Dec 16 Level 3	Dec 16 Total	Dec 17 Level 1	Dec 17 Level 2	Dec 17 Level 3	Dec 17 Total
Assets								
Financial assets - held for trading	2,335	5,477	138	7,950	2,043	4,241	65	6,349
Derivatives	3	4,376	96	4,475	9	3,302	22	3,333
Other trading assets	2,332	1,102	42	3,476	2,034	939	43	3,016
Financial assets - at fair value through profit or loss	385	66	28	480	496	26	21	543
Financial assets - available for sale	16,774	2,208	867	19,850	13,591	1,702	767	16,060
Derivatives - hedge accounting	0	1,424	0	1,424	0	884	0	884
Assets held for sale	0	0	0	0	0	0	0	0
Total assets	**19,494**	**9,176**	**1,034**	**29,704**	**16,130**	**6,853**	**853**	**23,836**
Liabilities								
Financial liabilities - held for trading	378	4,382	1	4,762	439	2,981	3	3,423
Derivatives	13	4,171	1	4,185	9	2,922	3	2,934
Other trading liabilities	366	211	0	577	430	59	0	489
Financial liabilities - at fair value through profit or loss	0	1,673	90	1,763	0	1,801	0	1,801
Deposits from customers	0	74	0	74	0	49	0	49
Debt securities issued	0	1,599	90	1,689	0	1,753	0	1,753
Other financial liabilities	0	0	0	0	0	0	0	0
Derivatives - hedge accounting	0	472	0	473	0	360	0	360
Total liabilities	**378**	**6,528**	**91**	**6,997**	**439**	**5,142**	**3**	**5,584**

The chosen method for the allocation of positions to levels is the following: all the levels and level changes are reflected at the end of the reporting period.

Valuation process for financial instruments categorised as Level 3

The valuation of financial instruments categorised as Level 3 involves one or more significant inputs that are not directly observable on the market. Additional price verification steps need to be done. These may include reviewing relevant historical data and benchmarking for similar transactions, among others. This involves estimation and expert judgment.

Changes in volumes of Level 1 and Level 2

The following table shows the changes in volumes of Level 1 and Level 2 of financial instruments carried at fair value in the balance sheet.

in EUR million	Dec 16 Level 1	Dec 16 Level 2	Dec 17 Level 1	Dec 17 Level 2
Securities				
Net transfer from Level 1	0	247	0	-203
Net transfer from Level 2	-247	0	203	0
Net transfer from Level 3	-23	-208	-6	126
Purchases/sales/expiries/changes in fair value	-1,017	333	-3,567	-633
Changes in derivatives	1	-1,549	6	-1,588
Total year-to-date change	**-1,286**	**-1,177**	**-3,364**	**-2,298**

Movements in 2017. The total amount of Level 1 financial assets decreased by EUR 3,364 million compared to last year. The change in volume of Level 1 securities (decreased by EUR 3,370 million) was determined on the one hand by matured or sold assets in the amount of EUR 5,407 million and on the other hand by new investments in the amount of EUR 2,749 million. The decrease in volume for securities that were allocated to Level 1 at both reporting dates (2017 and 2016) amounted to EUR 982 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 346 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by other corporates (EUR 147 million), but also to securities issued by governments (EUR 110 million) and financial institutions (EUR 90 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 143 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by financial institutions (EUR 83 million), governments (EUR 53 million) and as well as securities issued by other corporates (EUR 7 million). Level 1 instruments in the amount of EUR 7 million were reclassified to Level 3. The remaining change in the amount of EUR 73 million was due to partial sales and fair value changes of reclassified instruments.

Movements in 2016. The total amount of Level 1 financial assets decreased by EUR 1,286 million compared to previous year. The change in volume of Level 1 securities (decreased by EUR 1,287 million) was determined on the one hand by matured or sold assets in the amount of EUR 4,519 million and on the other hand by new investments in the amount of EUR 3,639 million. The decrease in volume for securities that were allocated to Level 1 at both reporting dates (2016 and 2015) amounted to EUR 130 million (due to partial purchases and sales and fair value changes caused by market movements). Due to improved market liquidity, assets in the amount of EUR 325 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by financial institutions (EUR 256 million), but also to securities issued by governments (EUR 53 million) and other corporates (EUR 16 million). Due to lower market activity and change to modelled fair value, securities in total of EUR 571 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by other corporates (EUR 337 million), financial institutions (EUR 140 million) and as well as securities issued by governments (EUR 94 million). Level 1 instruments in the amount of EUR 23 million were reclassified to Level 3. The remaining decrease in the amount of EUR 8 million was due to partial sales and fair value changes of reclassified instruments.

The reclassifications between Level 1 and Level 2, broken down to measurement categories and instruments, are shown below.

in EUR million	From Level 1 to Level 2 in 2016	From Level 1 to Level 2 in 2017
Financial assets - available for sale	**484**	**121**
Bonds	421	44
Funds	46	77
Other	16	0
Stocks	1	0
Financial assets - at fair value through profit or loss	**8**	**4**
Funds	8	2
Bonds	**0**	**2**
Financial assets - held for trading	**79**	**19**
Bonds	79	15
Funds	0	4
Other	0	0
Stocks	0	0
Total	**571**	**143**

in EUR million	From Level 2 to Level 1 in 2016	From Level 2 to Level 1 in 2017
Financial assets - available for sale	**293**	**270**
Bonds	151	238
Funds	138	22
Other	**0**	**9**
Stocks	4	1
Financial assets - at fair value through profit or loss	**7**	**27**
Bonds	6	4
Funds	1	8
Other	0	15
Financial assets - held for trading	**25**	**50**
Bonds	15	50
Funds	9	0
Other	0	0
Stocks	0	0
Total	**325**	**346**

Movements in 2017. The total value of Level 2 financial assets decreased between 2017 and 2016 by EUR 2,298 million. The Level 2 fair value change of securities and other receivables (down by EUR 709 million) can be explained for the most part by matured or sold positions in the amount of EUR 1,229 million and new investments in the amount of EUR 982 million. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates 2017 and 2016 amounted to EUR 122 million due to purchases sales and changes in market values. Due to reduced market depth a total volume of EUR 143 million was reclassified from Level 1 to Level 2 in 2017. This applies mainly to securities issued by financial institutions (EUR 82 million), securities issued by governments (EUR 53 million) and other corporates (EUR 7 million). Securities in the amount of EUR 346 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 121 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 247 million was reclassified from Level 3 to Level 2. The remaining increase in the amount of EUR 4 million was due to partial sales and fair value changes of reclassified instruments. The holding of loans and advances which are measured at fair value decreased by EUR 268 million in the current reporting period. The decrease on the asset side derivatives in Level 2 by EUR 1,588 million are caused by changes in market values and by netting effects.

On the liability side, as far as securities are concerned, there were no significant movements between the levels. Changes in the amounts were caused either by purchases, sales or changes in market value. The changes of derivatives were mainly caused by changes in the market value and netting effects.

Movements in 2016. The total value of Level 2 financial assets decreased between 2016 and 2015 by EUR 1,177 million. The Level 2 fair value change of securities and other receivables (up by EUR 372 million) can be explained for the most part by matured or sold positions in the amount of EUR 650 million and new investments in the amount of EUR 788 million. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates 2016 and 2015 amounted to EUR 103 million.
Due to reduced market depth a total volume of EUR 571 million was reclassified from Level 1 to Level 2 in 2016. This applies mainly to securities issued by other corporates (EUR 337 million) and financial institutions (EUR 140 million) as well as securities issued by governments (EUR 94 million). Securities in the amount of EUR 325 million were reclassified from Level 2 to Level 1 for the reporting date. Due to the use of significant non-observable valuation parameters a total volume of EUR 243 million was reclassified from Level 2 to Level 3. Due to a change to valuation models with significant observable parameters a total volume of EUR 35 million was reclassified from Level 3 to Level 2. The remaining increase in the amount of EUR 34 million was due to partial sales and fair value changes of reclassified instruments. The holding of loans and advances which are measured at fair value increased by EUR 264 million in the current reporting period. The decrease on the asset side derivatives in Level 2 by EUR 1,549 million are caused by changes in market values and by netting effects.

On the liability side, as far as securities are concerned, there were no significant movements between the levels. Changes in the amounts were caused either by purchases, sales or changes in market value. The changes of derivatives were mainly caused by changes in the market value and netting effects.

Movements in Level 3 of financial instruments carried at fair value

The following tables show the development of fair value of financial instruments in the Level 3 category.

in EUR million	As of	Gain/loss in profit or loss	Gain/loss in other compre-hensive income	Purchases	Sales	Settlements	Additions to the group	Disposals out of the group	Transfers into Level 3	Transfers out of Level 3	Currency translation	As of
Assets	**Dec 16**											**Dec 17**
Financial assets - held for trading	138	-5	-2	47	-8	-19	0	0	35	-124	2	65
Derivatives	96	-5	-2	0	-1	-2	0	0	0	-67	2	22
Other trading assets	42	0	0	47	-7	-18	0	0	35	-57	0	43
Financial assets - at fair value through profit or loss	28	1	0	2	0	0	0	0	0	-10	0	21
Financial assets - available-for-sale	867	12	20	27	-55	-37	0	-2	243	-314	4	767
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**1,034**	**8**	**18**	**76**	**-63**	**-57**	**0**	**-2**	**279**	**-448**	**7**	**853**

Assets	**Dec 15**											**Dec 16**
Financial assets - held for trading	150	-21	0	30	-23	-4	0	0	87	-81	0	138
Derivatives	143	-21	0	1	0	-2	0	0	33	-58	0	96
Other trading assets	7	0	0	29	-22	-2	0	0	54	-24	0	42
Financial assets - at fair value through profit or loss	50	-1	0	4	-4	-6	0	0	0	-14	0	28
Financial assets - available-for-sale	627	2	12	262	-216	-193	0	0	438	-64	0	867
Derivatives - hedge accounting	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	**827**	**-20**	**12**	**295**	**-243**	**-203**	**0**	**0**	**525**	**-160**	**0**	**1,034**

The profit or loss of Level 3 financial instruments classified as ‘Financial assets – held for trading’ and ‘Derivatives – hedge accounting’ is disclosed in the income statement line item ‘Net trading result’. Likewise, profit or loss of Level 3 financial instruments classified as ‘Financial assets – at fair value through profit or loss’ is disclosed in the income statement line item ‘Result from financial assets and liabilities designated at fair value through profit or loss’. Profit or loss from derecognition of ‘Financial assets – available for sale’ is shown in the income statement line item ‘Gains/Losses from financial assets and liabilities not measured at fair value through profit or loss, net’. Impairments of ‘Financial assets – available for sale’ is disclosed in the line item ‘Net impairment loss on financial assets’. Gains or losses in other comprehensive income of Level 3 financial instruments disclosed in the balance sheet line item ‘Financial assets – available for sale’ are reported directly in equity under ‘Available for sale reserve’.

Movements in 2017. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 121 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 88 million) and securities from other corporates in the amount of EUR 33 million. On the other hand securities in the amount of EUR 247 million were reclassified from Level 3 to Level 2. Thereof EUR 124 million are securities issued by financial institutions, EUR 81 million by sovereigns and EUR 42 million are securities issued by other corporates. Out of Level 1 EUR 7 million were reclassified to Level 3. The additional change in Level 3 positions was on the one hand caused by an decrease in derivative exposure of EUR 74 million and on the other hand by a decrease caused by the purchase, sale and market value change of securities in the amount of EUR 31 million.

Movements in 2016. The reclassification of securities to Level 3 was caused by a decrease in market liquidity and was based on an in-depth analysis of broker quotes. In addition to the assessment of the parameters used for the fair value determination, the external market values of securitizations were subject to an internal validation process, which is based on observable market inputs. Based on the described analysis securities in the amount of EUR 243 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 152 million), securities from corporates (EUR 53 million) and securities from sovereigns in the amount of EUR 39 million. On the other hand securities in the amount of EUR 35 million were reclassified from Level 3 to Level 2. Thereof EUR 19 million are securities issued by financial institutions and EUR 16 million are securities issued by sovereigns. Out of Level 1 EUR 23 million were reclassified to Level 3. The additional change in Level 3 positions was on the one hand caused by an decrease in derivative exposure of EUR 47 million and on the other hand by a decrease caused by the purchase, sale and market value change of securities in the amount of EUR 23 million.The change in Level 3 debt securities issued on the liabilities side is caused by purchases of EUR 35 million on the one hand and EUR 55 million on the other hand.

During the second quarter of 2016 shares in VISA Europe were sold to VISA Inc. The sales price included a cash payment, VISA Inc preferred shares and a future payment 3 years after the transaction. The overall sales price of EUR 139 million comprising cash payment, VISA Inc preferred shares and the future payment was considered as a Level 3 sale.

As of 31 December 2017, the fair valuation of VISA Inc preferred shares was based on reasonable assumptions and estimations and was consequently classified in Level 3. The shares cannot be sold before a minimum holding period of 12 years and are limited to certain conditions which may restrict the conversion of preferred shares into tradeable VISA Inc shares. Based on these limiting conditions the fair value of the preferred shares was capped based on assumptions compared to free tradeable VISA Inc. common shares.

Gains or losses on Level 3 instruments held at the reporting period’s end and which are included in profit or loss are as follow.

	Gain / loss in profit or loss	
in EUR million	Dec 16	Dec 17
Assets		
Financial assets - held for trading	-5.0	-6.7
Derivatives	-7.0	-6.2
Other trading assets	2.0	-0.4
Financial assets designated at fair value through profit or loss	-3.2	1.0
Derivatives hedge accounting	0.0	0.0
Total	**-8.2**	**-5.7**

For Level 3 financial assets classified as ‘available for sale’, no material impairments were recorded in the year 2017 (2016: EUR -1.5 million). For financial liabilities measured at fair value in the Level 3 category there was no material effect posted via income statement during the year 2017 (2016: EUR -1.5 million).

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

- Market values of derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).

_ Illiquid bonds, shares and funds not quoted in an active market where either valuation models with unobservable parameters have been used (e.g. credit spreads, cost of equity) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

The range of unobservable valuation parameters used in Level 3 measurements is shown in the following table.

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
As of 31 December 2017					
Positive fair value of derivatives	Forwards, swaps, options	23.2	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.76% -100% (10.5%)
				LGD	60%
Financial assets - available for sale	Fixed and variable coupon bonds	154.2	Discounted cash flow	Credit Spread	0.8% -8.0% (2.3%)
	Non-trading equity instruments (participations)	142.5	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industry Life Insurance: 1.99-2.02 Industry Real Estate (General/Diversified): 0.8 Financial Services (Non-bank & Insurance): 0.95 Restaurant: 0.95
				Country risk premium	Croatia: 3.47% Austria: 0.46% Czech Republic: 0.81% Romania: 2.32% Spain: 2.01% Resulting Cost of equity based on above inputs: 7.24% - 18.87%
		144.3	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		33.1	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
As of 31 December 2016					
Positive fair value of derivatives	Forwards, swaps, options	95.8	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.78% -100% (8.0%)
				LGD	60%
Financial assets - at fair value through profit or loss	Fixed and variable coupon bonds	3.4	Discounted cash flow	Credit Spread	0.1% -1.5% (0.4%)
Financial assets - available for sale	Fixed and variable coupon bonds	149.4	Discounted cash flow	Credit Spread	0.1% -5.3% (1.8%)

For equity instruments other than participations classified as Level 3, the amount of EUR 70.8 million is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

In the course of preparation of IFRS 9 implementation, significant improvements regarding valuation models of unquoted equity instruments have been achieved during the year 2017. As a consequence, for unquoted equity instruments which have been measured at cost as of December 31, 2016 the measurement was changed to fair value as of December 31, 2017 and the significant unobservable input parameters used have been incorporated in the table above accordingly.

The following table shows the sensitivity analysis using reasonably possible alternatives per product type.

in EUR million	Dec 16 Fair value changes Positive	 Negative	Dec 17 Fair value changes Positive	 Negative
Derivatives	5.4	-5.3	1.9	-1.9
Income statement	5.4	-5.3	1.9	-1.9
Other comprehensive income	0.0	0.0	0.0	0.0
Debt securities	29.5	-39.4	26.2	-34.9
Income statement	1.7	-2.3	1.9	-2.6
Other comprehensive income	27.9	-37.1	24.2	-32.3
Equity instruments	9.8	-19.5	66.0	-51.9
Income statement	0.4	-0.8	28.4	-22.8
Other comprehensive income	9.4	-18.7	37.6	-29.0
Total	**44.7**	**-64.2**	**94.1**	**-88.7**
Income statement	**7.5**	**-8.3**	**32.2**	**-27.3**
Other comprehensive income	**37.2**	**-55.9**	**61.8**	**-61.3**

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

For the calculation of the fair value of unquoted equity instruments, new models have been introduced during the year 2017. The sensitivity analysis was done using input parameters for the new models starting from the year 2017.

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

- for debt securities range of credit spreads between +100 basis points and -75 basis points,
- for equity related instruments the price range between -10% and +5%,
- for unquoted equity instruments measured by the adjusted net asset value the price range between -10% and +10% (considered in the sensitivity analyses since 2017)
- for unquoted equity instruments measured by dividend discount model/simplified income approach the cost of equity range beween -2% and +2% (considered in the sensitivity analyses since 2017)
- for CVA on derivatives PDs rating upgrade/downgrade by one notch, as well as the change of LGD by -5% and +10%.

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

The following table shows fair values and the fair value hierarchy of financial instruments for which fair value is disclosed in the notes.

Dec 17 in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets					
Cash and cash balances	21,796	21,796	0	0	0
Financial assets - held to maturity	19,800	20,969	19,903	1,014	52
Loans and receivables to credit institutions	9,126	9,145	0	78	9,068
Loans and receivables to customers	139,532	141,431	0	0	141,431
Liabilities					
Deposits from banks	16,349	16,421	0	0	16,421
Deposits from customers	150,921	151,168	0	0	151,168
Debt securities issued	23,342	24,876	1,780	22,282	814
Other financial liabilities	1,099	1,105	0	0	1,105
Financial guarantees and commitments					
Financial guarantees	n/a	-50	0	0	-50
Irrevocable commitments	n/a	43	0	0	43

Dec 16 in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets					
Cash and cash balances	18,353	18,353	0	0	0
Financial assets - held to maturity	19,270	20,918	19,886	945	86
Loans and receivables to credit institutions	3,469	3,489	0	174	3,315
Loans and receivables to customers	130,654	132,855	0	54	132,800
Liabilities					
Deposits from banks	14,631	14,622	0	0	14,622
Deposits from customers	137,939	138,165	0	0	138,165
Debt securities issued	25,503	27,010	2,659	22,651	1,701
Other financial liabilities	836	820	0	0	820
Financial guarantees and commitments					
Financial guarantees	n/a	92	0	0	92
Irrevocable commitments	n/a	124	0	0	124

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

The fair value of loans and advances to customers and credit institutions has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets held to maturity are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

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

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. The spread adjustment for Erste Group's own credit risk is derived from buy-back levels of own issuances. Moreover optionality is taken into account when calculating the fair value.

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

47. Fair values of non-financial assets

The following table shows fair values and fair value hierarchy of non-financial instruments.

Dec 17 in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	899	1,041	0	0	1,041
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale	87	90	0	0	90

Dec 16 in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Assets whose Fair Value is disclosed in the notes					
Investment property	899	907	0	300	607
Assets whose Fair Value is presented in the Balance sheet					
Assets held for sale	104	119	0	65	54

Investment property is measured at fair value on recurring basis. Assets held for sale, which consist mainly of property, are measured at fair value on non-recurring basis when their carrying amount is impaired down to fair value less costs to sell.

The fair values of non-financial assets are determined by experts with recognised and relevant professional qualification. Notwithstanding, for residential property of non-profit housing entities, the fair values are deemed to be equal to the carrying amounts.

Fair values of commercial real estate in Austria and CEE owned by Erste Group through Austrian companies are based on valuation reports relying essentially, but not solely, on observable market inputs (such as selling price per square meter charged in recent market observable transactions for similar assets).

For all other property owned by Erste Group through subsidiaries located in CEE countries the valuations are carried out mainly using the comparative and investment methods. Assessment is made on the basis of a comparison and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the relevant property. The characteristics of such similar transactions are then applied to the asset, taking into account size, location, terms, covenant and other material factors.

Due to a changed intensity in the market of properties and its effect on valuation of non-financial assets, the disclosure of the level has been ammended retrospectively to level 3.

The book value related to investment property for which no disclosure according to IFRS 13 is required amounts to EUR 212 million as of 31 December 2016. The corresponding fair value amounts to EUR 214 million.

The book value related to assets held for sale for which no disclosure according to IFRS 13 is required amounts to EUR 60 million as of 31 December 2016. The corresponding fair value amounts to EUR 70 million.

48. Financial instruments per category according to IAS 39

Dec 17	Category of financial instruments									
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
Assets										
Cash and cash balances	17,494	0	0	0	0	0	4,303	0	0	21,796
Loans and receivables to credit institutions	9,126	0	0	0	0	0	0	0	0	9,126
Loans and receivables to customers	135,845	0	0	0	0	0	0	0	3,688	139,532
Derivatives - hedge accounting	0	0	0	0	0	0	0	884	0	884
Financial assets - held for trading	0	0	6,349	0	0	0	0	0	0	6,349
Financial assets - at fair value through profit or loss	0	0	0	543	0	0	0	0	0	543
Financial assets - available for sale	0	0	0	0	16,060	0	0	0	0	16,060
Financial assets - held to maturity	0	19,800	0	0	0	0	0	0	0	19,800
Total financial assets	**162,464**	**19,800**	**6,349**	**543**	**16,060**	**0**	**4,303**	**884**	**3,688**	**214,091**
Net gains / losses of financial instruments per category										
Net gains / losses recognized through profit or loss	-100	3	184	10	123	0				
Net gains / losses recognized through OCI	0	0	0	0	-185	0				
Liabilities										
Financial liabilities - held for trading	0	0	3,423	0	0	0	0	0	0	3,423
Financial liabilities - at fair value through profit or loss	0	0	0	1,801	0	0	0	0	0	1,801
Financial liabilities measured at amortised cost	0	0	0	0	0	191,711	0	0	0	191,711
Derivatives - hedge accounting	0	0	0	0	0	0	0	360	0	360
Total financial liabilities	**0**	**0**	**3,423**	**1,801**	**0**	**191,711**	**0**	**360**	**0**	**197,296**
Net gains/ losses recognized through profit or loss	0	0	53	-23	0	1				

Net gains/losses recognised through profit or loss include impairments.

Dec 16	Category of financial instruments									
in EUR million	Loans and receivables	Held to maturity	Trading	Designated at fair value	Available for sale	Financial liabilities at amortised cost	Other financial assets	Derivatives designated as hedging instruments	Finance lease according to IAS 17	Total
Assets										
Cash and cash balances	14,614	0	0	0	0	0	3,738	0	0	18,353
Loans and receivables to credit institutions	3,469	0	0	0	0	0	0	0	0	3,469
Loans and receivables to customers	126,804	0	0	0	0	0	0	0	3,850	130,654
Derivatives - hedge accounting	0	0	0	0	0	0	0	1,424	0	1,424
Financial assets - held for trading	268	0	7,683	0	0	0	0	0	0	7,950
Financial assets - at fair value through profit or loss	0	0	0	480	0	0	0	0	0	480
Financial assets - available for sale	0	0	0	0	19,886	0	0	0	0	19,886
Financial assets - held to maturity	0	19,270	0	0	0	0	0	0	0	19,270
Total financial assets	**145,156**	**19,270**	**7,683**	**480**	**19,886**	**0**	**3,738**	**1,424**	**3,850**	**201,487**
Net gains / losses of financial instruments per category										
Net gains/ losses recognized through profit or loss	-184	-1	119	-2	147	0				
Net gains / losses recognized through OCI	0	0	0	0	-5	0				
Liabilities										
Financial liabilities - held for trading	0	0	4,762	0	0	0	0	0	0	4,762
Financial liabilities - at fair value through profit or loss	0	0	0	1,763	0	0	0	0	0	1,763
Financial liabilities measured at amortised cost	0	0	0	0	0	178,909	0	0	0	178,909
Derivatives - hedge accounting	0	0	0	0	0	0	0	473	0	473
Total financial liabilities	**0**	**0**	**4,762**	**1,763**	**0**	**178,909**	**0**	**473**	**0**	**185,906**
Net gains/ losses recognized through profit or loss	0	0	41	-9	0	-12				

Net gains/losses recognised through profit or loss include impairments.

49. Audit fees and tax consultancy fees

The following table contains fees charged by the auditors of Erste Group Bank AG and subsidiaries for the financial years 2017 and 2016; the auditors being Sparkassen-Prüfungsverband (auditing agency), Price Waterhouse Coopers (2017), Ernst & Young (2016) and Deloitte (auditor for some subsidiaries). The values for PricewaterhouseCoopers comprise the services of 'PwC Wirtschaftsprüfung GmbH' as well as the PwC network.

in EUR thousand	Dec 16	Dec 17
Statutory audit of financial statements/consolidated financial statements	**15,155**	**12,647**
Audit fees - PwC	0	5,248
Audit fees - E&Y	7,857	0
Audit fees - Spk.Pr.V	6,459	7,395
Audit fees - Others	839	3
Other assurance services	**3,401**	**1,552**
Other assurance services - PwC	0	822
Other assurance services - E&Y	1,797	0
Other assurance services - Spk.Pr.V	782	730
Other assurance services - Other	822	0
Tax consulting	**2,947**	**27**
Tax consulting - PwC	0	12
Tax consulting - E&Y	922	0
Tax consulting - Spk.Pr.V	0	0
Tax consulting - Others	2,025	15
Other services	**10,505**	**3,446**
Other services - PwC	0	3,425
Other services - E&Y	3,074	0
Other services - Spk.Pr.V	30	21
Other services - Others	7,401	0
Total	**32,008**	**17,672**

The Sparkassen-Prüfungsverband (Austrian Savings Bank Auditing Association) provided audit services for an amount of EUR 2,058 thousand to Erste Group Bank AG and EUR 5,337 thousand for the subsidiaries. For other assurance services EUR 41 thousand were charged to the subsidiaries of Erste Group Bank AG while EUR 21 thousand is the amount for other services provided to the subsidiaries. The auditor 'PwC Wirtschaftsprüfung GmbH' provided audit services to Erste Group Bank AG for EUR 1,040 thousand and to the subsidiaries for EUR 699 thousand. An amount of EUR 3,509 thousand was charged for audit services of the PricewaterhouseCoopers network to the subsidiaries. The total amount for other assurance services provided by 'PwC Wirtschaftsprüfung GmbH' is EUR 305 thousand.

50. Contingent liabilities

To meet the financial needs of customers, the bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the balance sheet, they do involve credit risk and are therefore part of the overall risk of the Bank (see Note 44.4 Credit risk).

Legal proceedings

Erste Group Bank AG and some of its subsidiaries are involved in legal disputes, most of which have arisen in the course of ordinary banking business. These proceedings are not expected to have a significant negative impact on the financial position or profitability of Erste Group or Erste Group Bank AG. In particular there may also sustain losses from legal risks where the occurrence of a loss is not probable, but also not improbable, and for which no provisions have been recognised. Neither for the date on which the risk may materialise nor for any potential reimbursements a reliable estimate can be made.

Erste Group is also subject to the following ongoing proceedings, some of which, if adversely adjudicated, may have a significant impact on the financial position or profitability of Erste Group or Erste Group Bank AG.

Consumer protection claims

Several banking subsidiaries of Erste Group have been named in their respective jurisdictions as defendants in a number of lawsuits and in regulatory proceedings, filed by individual customers, regulatory authorities or consumer protection agencies and associations. Some of the lawsuits are class actions. The lawsuits mainly relate to allegations that certain contractual provisions, particularly in respect of consumer loans, violate mandatory consumer protection laws and regulations and that certain fees charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as of contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions the legal risks in connection with loans granted in the past to consumers are also increased by the enactment of politically motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, and a level of unpredictability of judicial decisions beyond the level of uncertainty generally imminent in court proceedings. The following consumer protection issues are deemed particularly noteworthy:

In Romania, BCR is, besides being a defendant in a substantial number of individual law suits filed by consumers, among several local banks pursued by the consumer protection authority for alleged abusive clauses pertaining to pre-2010 lending practices. In connection therewith, BCR is currently a defendant in individual litigation claims filed by the local consumer protection authority, in each case on behalf of a single or several borrowers. Only few of these cases have so far been finally decided by the courts, none of them with an adverse result for BCR. If one of these cases on the validity of certain clauses becomes adversely adjudicated, this may have the impact of invalidating such clauses also in similar agreements of BCR with other consumers.

In Hungary, foreign currency loan related invalidity lawsuits by consumers against banks, including EBH, have been suspended by the regulations of the 2014 consumer loan law. After the completion of the settlement and the refund process with the customers concerned with the litigation, only a part of the proceedings has been continued so far. However, there is a steady tendency of consumers initiating further court cases after and irrespective of the settlement process completed fully in line with the 2014 consumer loan regulations. In the new statements of claim frequently legal issues are raised which have not been affected and resolved by the 2014 consumer loan regulations. It is expected that EBH will remain a defendant in a number of these litigations and that consumers will continue and initiate further court cases, creating a high level of legal uncertainty. In a number of lawsuits against banks, some of them with EBH as a party, a preliminary ruling of the European Court of Justice ('ECJ') has been initiated by local courts. The questions referred to the ECJ mainly examine the compliance of FX loan agreements with European regulations on consumer protection. As a result of these pending procedures, numerous pending lawsuits have been suspended until the ECJ adopts the preliminary rulings. Furthermore, in case the ECJ's rulings would be favorable for the plaintiffs, this might lead to an increase of the number of pending lawsuits against EBH.

In Croatia, the Supreme Court of Croatia, in a proceeding initiated by a local consumer protection association against several banks, among them EBC, declared in 2015 that FX clauses in loan agreements with consumers are valid but contractual provisions permitting unilateral change of the variable interest rates in CHF denominated consumer loans, used by the majority of banks until 2008, are null and void. In late 2016, the Croatian Constitutional Court rescinded the part of the Supreme Court decision relating to the validity of FX clauses, while it upheld the verdict regarding the (in)validity of the interest rate clause. The Supreme Court has been ordered to amend its decision as it allegedly violated the constitutional right to fair trial by not providing sufficient explanation for its decision regarding FX clauses. In late 2017 the Supreme Court rescinded the second instance decision and returned the case with respect to the FX clause for a retrial to the court of second instance. The outcome of such further judicial review is highly unpredictable and so is its impact, if any, on legal disputes with individual clients related to CHF denominated loan agreements in light of the laws enacted in 2015 that forced banks to accept requests from clients that are consumers or individual professionals to convert their CHF denominated loans into EUR with retroactive effect.

Corporate Bond investors's prospectus claims

Since 2014 a number of investors in corporate bonds, issued by a large Austrian construction group in the years 2010, 2011 and 2012, have filed claims with the courts of Vienna against Austrian banks, among them Erste Group Bank AG, requesting compensation for their losses as bond-holders following the bankruptcy of the issuer in 2013. The plaintiffs argue in essence that the defendant banks, who acted as joint-lead managers in the issuing of the respective bond, already knew of the insolvency status of the issuer at such time and should be liable for the issuing prospectus failing to state this. Erste Group Bank AG, together with a second Austrian bank, acted as joint-lead manager of the bond issuance in 2011. Erste Group Bank AG rejects the claims. In 2017 the public prosecutor charged with criminal investigations into the insolvency has terminated investigations against unknown responsible officers of the banks involved in the issuing of the bonds for lack of indication for any criminal wrongdoing, stating that there were neither hints for a deception of investors nor hints that the banks had information on the allegedly bad financial situation of the issuer at the time of the issuing of the bonds.

BCR Banca pentru Locuinte dispute

In 2015, the Romanian Court of Accounts ('CoA') conducted an audit review in BCR Banca Pentru Locuinte ('BpL') in order to assess whether the credit institution has allocated the state subsidies to its clients in accordance with the applicable legal provisions. Following the review, the CoA claims that several deficiencies were identified and that conditions for state subsidies have not been met. BpL did not accept the position taken by the CoA and initiated a contestation process which is currently ongoing. In early 2017, the court of first instance announced its decision: it accepted the BpL contestation on the most relevant counts, while also upholding a few of the findings of the CoA report. The obligation of repayment of subsidies under the CoA decision has been temporary suspended through an injunction granted to the credit institution in the court of first instance.

51. Analysis of remaining maturities

This table contains information about the expected remaining maturities of assets and liabilities:

	Dec 16		Dec 17	
in EUR million	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	18,353	0	21,796	0
Financial assets - held for trading	2,668	5,283	1,851	4,498
Derivatives	1,011	3,463	981	2,352
Other trading assets	1,657	1,819	870	2,146
Financial assets - designated at fair value through profit or loss	55	425	28	515
Financial assets - available-for-sale	2,963	16,922	1,796	14,264
Financial assets - held to maturity	2,086	17,184	1,519	18,281
Loans and receivables to credit institutions	3,238	232	8,682	443
Loans and receivables to customers	23,500	107,155	24,815	114,717
Derivatives - hedge accounting	214	1,211	110	774
Property and equipment	0	2,477	0	2,387
Investment properties	0	1,023	0	1,112
Intangible assets	0	1,390	0	1,524
Investments in associates and joint ventures	0	193	0	198
Current tax assets	124	0	108	0
Deferred tax assets	0	234	0	258
Assets held for sale	279	0	214	0
Other assets	809	211	584	185
Total Assets	**54,288**	**153,939**	**61,504**	**159,155**
Finanacial liabilities - held for trading	1,084	3,677	878	2,545
Derivatives	918	3,266	863	2,071
Other trading liabilities	166	411	15	474
Financial liabilities designated at fair value through profit or loss	343	1,420	273	1,529
Deposits from banks	0	0	0	0
Deposits from customers	74	0	49	0
Debt securities issued	269	1,420	224	1,529
Other financial liabilities	0	0	0	0
Financial liabilities measured at amortised cost	117,923	60,986	124,732	66,979
Deposits from banks	9,994	4,638	10,871	5,478
Deposits from customers	103,154	34,785	109,847	41,074
Debt securities issued	3,948	21,554	2,928	20,415
Other financial liabilities	827	9	1,087	13
Derivatives - hedge accounting	132	340	128	232
Changes in fair value of portfolio hedged items	95	847	81	585
Provisions	169	1,533	137	1,511
Current tax liabilities	66	0	101	0
Deferred tax liabilities	0	68	0	61
Liabilities associated with assets held for sale	5	0	3	0
Other liabilities	1,926	1,010	1,906	690
Total Liabilites	**121,744**	**69,881**	**128,238**	**74,133**

52. Own funds and capital requirements

Own funds and capital requirements
Among others, Erste Group fulfils hereinafter the disclosure requirements according to the Capital Requirements Regulation (CRR), in detail Articles 436 (b) – (e) CRR and Articles 437 (1) (a), (d), (e) and (f) CRR. References to chapters refer to the financial statements.

Regulatory Requirements
Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to Basel 3. The requirements were implemented within the EU by the Capital Requirements Regulation (CRR) and the Capital Requirement Directive (CRD IV). The CRD IV was enacted in national law in the Austrian Banking Act (ABA). Erste Group applies these rules and calculates the capital ratios according to Basel 3, taking into consideration the Austrian transitional provisions which are defined in the CRR 'Begleitverordnung', published by the Austrian regulator. Starting with 1 October 2016 the European Regulation on the exercise of options and discretions available in Union law entered into force, which is applied by Erste Group as well.

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

Accounting Principles
The financial and regulatory figures published by Erste Group are based on IFRS. Eligible capital components are derived from the balance sheet and income statement which were prepared in accordance with IFRS. Adjustments to the accounting figures are considered due to the different definitions in the scopes of consolidation. Further details are explained in the section 'Regulatory scope of consolidation'. The uniform closing date of the consolidated regulatory figures of Erste Group is the 31 December of the respective year.

Comparison of consolidation for accounting purposes and regulatory purposes
Disclosure requirements: Article 436 (b) CRR

Scope of Consolidation
Further details regarding the IFRS scope of consolidation are disclosed in chapter 'B. Significant accounting policies' under the section 'scope of consolidation'.

The regulatory scope of consolidation is used as a synonym for the scope of consolidation that follows the regulatory requirements for consolidation as defined by the CRR and the ABA, which introduces the requirements of the CRD IV into national law.

Regulatory scope of consolidation and institutional protection scheme
The consolidated regulatory capital and the consolidated regulatory capital requirements are calculated based on the scope of consolidation stipulated in the Capital Requirements Regulation (CRR). Based on Art. 4 para 1 (3), (16) to (27) CRR in line with Art. 18 and 19 CRR, the scope consists of credit institutions, investment firms, financial institutions and ancillary service undertakings. This definition differs from the scope of consolidation according to IFRS, which also includes insurance companies and other entities.

The Austrian savings banks are included as subsidiaries in Erste Group's regulatory scope of consolidation based on the cross-guarantee contract of the 'Haftungsverbund'. Furthermore, Erste Group Bank AG together with the savings banks forms an institutional protection scheme (IPS) according to Art. 113 (7) CRR. Disclosure requirements for the institutional protection scheme according to Art. 113 (7) e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

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 Article 4 (1) (1) CRR, investment firms pursuant to Article 4 (1) (2) CRR, ancillary services undertakings pursuant to Article 4 (1) (18) CRR and financial institutions pursuant to Article 4 (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 Article 19 CRR. According to Article 19 (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 Article 19 (1) CRR.

- According to Article 19 (2) CRR, entities can also be excluded if the limits defined in Article 19 (1) CRR are exceeded, but are not relevant for regulatory purposes. Exclusion of entities based on Article 19 (2) CRR needs the prior approval of the competent authorities. For entities that exceed the limits as defined in Article 19 (1) CRR by insignificant amounts, Erste Group applies Article 19 (2) CRR and follows the requirements for the approval process as defined within this article. Erste Group does not apply Article 19 (1) and (2) CRR for credit institutions and investment firms.

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 Article 18 (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 Article 18 (4) CRR, Erste Group applies proportional consolidation for two entities.

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

The amounts used for the calculation of the own funds derive from the balance sheet according to IFRS. The amounts that are used as the basis for the calculation of 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 (see table regarding balance sheet reconciliation). 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 Articles 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 Article 84 CRR. According to the European Regulation on the exercise of options and discretions available in Union law, 80% of the non-eligible minorities have to be excluded from consolidated own funds in 2017. As Erste Group applies these transitional provisions on group-level this percentage has been applied to the exclusion of minority interests in own funds as of 31 December 2017. Amounts that relate to minority interests in other comprehensive income are neither included in the consolidated own funds of Erste Group according to the final CRR provisions nor during the transitional period.

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 Article 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 Articles 36 (1) (h), 45 and 46 CRR for non-significant investments and Articles 36 (1) (i) CRR, Article 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 Article 46 (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 Article 56 (c) and 59 CRR and tier 2 items according to Article 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 Article 46 (4) CRR.

For the deduction of significant investments in the CET1 of financial sector entities, a threshold is defined in Article 48 (2) CRR. According to Article 48 (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 Article 48 (4) CRR.

In addition to the aforementioned threshold, a combined threshold for the deduction of significant investments according to Article 36 (1) (i) CRR and for deferred tax assets that rely on future profitability and arise from temporary differences according to Article 36 (1) (c) CRR as well as according to Article 38 CRR is defined in Article 48 (2) CRR. The combined threshold according to Article 48 (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 Article 48 (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 Article 48 (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 Article 48 (3) CRR has to be considered within the calculation of RWAs with a 250% RW according to Article 48 (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.

Threshold calculations according to Articles 46 and 48 CRR

in EUR million	Dec 16	Dec 17
Non-significant investments in financial sector entities		
Threshold (10% of CET1)	1,326	1,445
Holdings in CET1	–150	–168
Holdings in AT1	–16	–15
Holdings in T2	–395	–342
Distance to threshold	**765**	**919**
Significant investments in financial sector entities		
Threshold (10% of CET1)	1,326	1,445
Holdings in CET1	–306	–302
Distance to threshold	**1,019**	**1,143**
Deferred tax assets		
Threshold (10% of CET1)	1,326	1,445
Deferred tax assets that are dependent on future profitability and arise from temporary differences	–157	–203
Distance to threshold	**1,168**	**1,241**
Combined threshold for deferred tax assets and significant investments		
Threshold (17.65% of CET1)	2,340	2,550
Deferred tax assets that are dependent on future profitability and arise from temporary differences and CET1 instruments of financial sector entities where the institution has a significant investment	–463	–506
Distance to threshold	**1,876**	**2,044**

Presentation of the scope of consolidation

Number of entities within the different scopes of consolidation

	IFRS		CRR			
Dec 17	Full	Equity	Full	Proportional	De Minimis	Equity
Credit institutions	67	2	67	1	0	1
Financial institutions, financial holding companies and mixed financial holding companies	201	36	199	1	40	18
Ancillary service undertakings, investment firms and asset management companies	70	1	42	0	56	1
Others	84	12	0	0	0	0

	IFRS		CRR			
Dec 16	Full	Equity	Full	Proportional	De Minimis	Equity
Credit institutions	67	2	67	1	0	1
Financial institutions, financial holding companies and mixed financial holding companies	214	35	211	1	43	17
Ancillary service undertakings, investment firms and asset management companies	78	1	50	0	57	1
Others	89	13	0	0	0	0

As of 31 December 2017 the number of companies consolidated according to IFRS was 473. The number of companies consolidated according to regulatory capital requirements, except those entities which are covered by Article 19 (1) and (2) CRR was 330.

Impediments to the transfer of own funds

Disclosure requirement: Article 436 (c) CRR

Currently there are no restrictions or significant impediments to the transfer of financial funds or regulatory capital known for Erste Group. Further details are disclosed in chapter 'B. Significant accounting policies'.

Total capital shortfall of all subsidiaries not included in the consolidation

Disclosure requirement: Article 436 (d) (e) CRR

As of 31 December 2017, there was no capital shortfall at any of the companies included in Erste Group's consolidation.

Own funds

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

The items of own funds as disclosed are also used for internal capital management purpose. Erste Group fulfilled the capital requirements.

The regulatory minimum capital ratios including the regulatory buffers as of December 2017 amount to

- 6.4% for CET1 (4.5% CET1, +1.25% capital conservation buffer, +0.5% buffer for systemic vulnerability and for systemic concentration risk and +0.15% countercyclical capital buffer),
- 7.9% for tier 1 capital (sum of CET1 and AT1) and
- 9.9% for total own funds.

In addition to minimum capital ratios and capital buffer requirements, institutions also have to fulfil capital requirements determined in the Supervisory Review and Evaluation Process (SREP).

Capital buffer requirements are set out in sections 23 (capital conservation buffer), 23a (countercyclical buffer), 23b (Global Systemic Important Institution (G-SII) buffer), 23c (Other Systemic Important Institution (O-SII) buffer) and 23d (systemic risk buffer) of the ABA and further specified in the regulation of the Financial Market Authority (FMA) on the establishment and recognition of the countercyclical buffer rate in accordance with section 23a para 3 ABA, on the establishment of the systemic risk buffer in accordance with section 23d para 3 ABA as well as on the detailed definition of the bases of calculation in accordance with section 23a para 3 clause 1 ABA and section 24 para 2 ABA (capital buffers regulation). All capital buffers have to be met entirely with CET1 capital and relate, accept the countercyclical buffer, to total risk.

Sections 23, 23a, 23b and 23c ABA as well as the capital buffers regulation entered into force on 1 January 2016. The capital buffers regulation was amended on 23 May 2016 to include requirements for O-SII buffers. As of the reporting date 31. December 2017, Erste Group has to fulfil the following capital buffer requirements.

According to section 23 para 1 ABA, Erste Group has to establish a capital conservation buffer in the amount of 2.5%.
The transitional provisions for capital conservation buffers, by way of derogation from the requirements under section 23 ABA, are regulated in section 103q para 11 ABA as follows

- For the period from 1 January 2016 until 31 December 2016: 0.625%;
- For the period from 1 January 2017 until 31 December 2017: 1.25%;
- For the period from 1 January 2018 until 31 December 2018: 1.875%.

According to section 23a ABA the capital buffer requirement for the countercyclical capital buffer is regulated in section 4 capital buffers regulation as follows

- The institution specific requirement for the countercyclical buffer in accordance with section 23a para 1 ABA results from the weighted average of the rates of the countercyclical capital buffer that apply in the jurisdictions where significant credit risk positions are situated in accordance with section 5 of the credit institution, multiplied by the total amount of risk in accordance with Art. 92 (3), of the Regulation (EU) no. 575/2013
- For the calculation of the weighted average according to para 1 capital buffer requirement, the countercyclical buffer quota for the national area as defined by the respective authority is multiplied with the result out of the comparison of the capital requirement relat-

ed to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of Regulation (EU) no. 575/2013.

_ Starting from 1 January 2016 is for the purposes of section 23a para 3 clause 2 ABA the capital buffer rate for the home country allocated, significant credit risk positions 0%.
_ If the competent authority of another member state or a third country for the national legal area determines a rate of over 2.5% for the purposes of para 1 for significant credit risk positions in this legal area, a rate of 2.5% has to be applied.
_ If the responsible third country authority establishes a national buffer rate, this rate is valid twelve months after the date on which the relevant third country authority has announced a change in the buffer rate.

The transitional provisions for the countercyclical buffer, by way of derogation from the requirements under section 23a ABA, are regulated in section 103q para 11 ABA as follows

_ For the period from 1 January 2016 until 31 December 2016: maximum of 0.625%;
_ For the period from 1 January 2017 until 31 December 2017: maximum of 1.25%;
_ For the period from 1 January 2018 until 31 December 2018: maximum of 1.875%.

Erste Group is not obliged to establish a G-SII buffer in line with section 23b ABA. According to Section 7b of the capital buffers regulation, Erste Group has to establish an O-SII buffer under section 23c ABA in the amount of 2%. However, Erste Group is only required to hold the higher of the O-SII and the systemic risk buffer under section 23d ABA. As the size of the O-SII buffer as well as the transitional arrangements for its introduction are identical to the provisions for the systemic risk buffer as set out below, no additional buffer requirements arise for Erste Group.

With respect to the systemic risk buffer under section 23d ABA, the capital buffers regulation specifies

_ According to section 7 para 1 (2) capital buffers regulation, Erste Group has to establish a capital buffer for systemic vulnerability in the amount of 1%.
_ According to section 7 para 2 (1) capital buffers regulation, Erste Group has to establish a capital buffer for the systemic concentration risk in the amount of 1%.

In accordance with section 10 capital buffers regulation systemic risk buffer is phased in according to the schedule below

_ from 1 January to 31 December 2016 with 0.25%,
_ from 1 January to 31 December 2017 with 0.5%,
_ from 1 January to 31 December 2018 with 1%.

As a result of the 2016 SREP performed by the European Central Bank (ECB), Erste Group on a consolidated level is required to meet a transitional common equity tier 1 (CET1) ratio of 6.25% as of 31. December 2017. This minimum CET1 ratio of 6.25% includes Pillar 1 minimum requirement (4.5%) and Pillar 2 requirement (P2R, 1.75% valid as of 1 January 2017). In addition, Erste Group is subject to combined buffer requirement consisting of phasing in capital conservation buffer (1.25%), the institution specific countercyclical capital buffer (0.15%) and the systemic risk buffer (0.5%) requirements. Thus, overall transitional CET1 capital requirement amounts to 8.15%. In addition, ECB expects Erste Group to meet a Pillar 2 Guidance (P2G, 1.66% valid as of 1 January 2017), fully in CET1 capital. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and buffers

	Dec 16	Dec 17
Pillar 1		
Minimum CET1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirement	8.00%	8.00%
Combined buffer requirement (CBR)	0.88%	1.90%
Capital conservation buffer	0,625%	1.25%
Countercyclical capital buffer	0,003%	0.15%
Systemic risk buffer (SRB)	0.25%	0.50%
O-SII capital buffer	0.25%	0.50%
Pillar 2		
Pillar 2 requirement (P2R)	4.38%	1.75%
Total CET1 requirement for Pillar 1 and Pillar 2	**9.75%**	**8.15%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**n.a**	**9.65%**
Total Capital requirement for Pillar 1 and Pillar 2	**n.a**	**11.65%**

The combined buffer requirement is the sum of the capital conservation buffer, the countercyclical capital buffer and the maximum of the O-SII capital buffer or the systemic risk buffer.

The Pillar 2 requirement has to be fulfilled with CET1 capital and excludes the P2G.

The Pillar 2 requirement of 4.38% for 2016 % (without the Pillar 1 requirement of 4.5% and the capital conservation buffer requirement of 0.625%) is calculated based on the CET1 requirement of 9.5% defined by ECB.

Capital structure according to EU regulation 575/2013 (CRR)

		Dec 16		Dec 17	
in EUR million	**Article pursuant to CRR**	**Phased-in**	**Final**	**Phased-in**	**Final**
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26 (1) (a) (b), 27 to 30, 36 (1) (f), 42	2,336	2,336	2,336	2,336
Retained earnings	26 (1) (c), 26 (2)	9,518	9,518	10,266	10,266
Accumulated other comprehensive income	4 (1) (100), 26 (1) (d)	−276	−276	−233	−233
Minority interest recognised in CET1	4 (1) (120) 84	3,581	3,581	3,909	3,909
Transitional adjustments due to additional minority interests	479, 480	72	0	37	0
Common equity tier 1 capital (CET1) before regulatory adjustments		**15,232**	**15,160**	**16,315**	**16,278**
Own CET1 instruments	36 (1) (f), 42	−35	−35	−105	−105
Prudential filter: cash flow hedge reserve	33 (1) (a)	−88	−88	−5	−5
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33 (1) (b)	−57	−57	146	146
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33 (1) (c), 33 (2)	−8	−8	−4	−4
Value adjustments due to the requirements for prudent valuation	34, 105	−90	−90	−83	−83
Regulatory adjustments relating to unrealised gains (20%)	468	−346	0	−154	0
Regulatory adjustments relating to unrealised losses (20%)	467	43	0	16	0
Securitizations with a risk weight of1,250%	36 (1) (k)	−29	−29	−29	−29
Goodwill	4 (1) (113), 36 (1) (b), 37	−709	−709	−712	−712
Other intangible assets	4 (1) (115), 36 (1) (b), 37 (a)	−646	−646	−801	−801
Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36 (1) (c), 38	−74	−74	−49	−49
IRB shortfall of credit risk adjustments to expected losses	36 (1) (d), 40, 158, 159	−168	−168	−187	−187
Other transitional adjustments CET1	469 to 472, 478, 481	659	0	365	0
Goodwill (20%)		284	0	142	0
Other intangible assets (20%)		258	0	160	0
IRB shortfall of provisions to expected losses (20%)		67	0	37	0
Deferred tax assets allocated up to December 2013, that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (70%)		33	0	1	0
Deferred tax assets allocated on or after January 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (20%)		13	0	9	0
Own CET1 instruments (20%)	36 (1) (f)	3	0	14	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	−82	0	0	0
Common equity tier 1 capital (CET1)	**50**	**13,602**	**13,256**	**14,712**	**14,448**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51 (a), 52 to 54, 56 (a), 57	497	497	993	993
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	2	2	0	0
Additional tier 1 capital (AT1) before regulatory adjustments		**499**	**499**	**993**	**993**
Own AT1 instruments	52 (1) (b), 56 (a), 57	−2	−2	−2	−2
Transitional adjustments due to grandfathered AT1 instruments	483 (4) (5), 484 to 487, 489, 491	0	0	0	0
AT1 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 56 (d), 59, 79	0	0	0	0
Other transitional adjustments AT1	474, 475, 478, 481	−579	0	−336	0
Goodwill (20%)		−284	0	−142	0
Other intangibles (20%)		−258	0	−160	0
IRB shortfall of provisions to expected losses (10%)		−34	0	−19	0
Own CET1 instruments (20%)	36 (1) (f)	−3	0	−14	0
Excess of deduction from AT1 items over AT1	36 (1) (j)	82	0	0	0
Additional tier 1 capital (AT1)	**61**	**0**	**497**	**656**	**992**
Tier 1 capital = CET1 + AT1	**25**	**13,602**	**13,753**	**15,368**	**15,440**

The table will be continued on the subsequent page.

Continuation of the table:

in EUR million	Article pursuant to CRR	Dec 16 Phased-in	Dec 16 Final	Dec 17 Phased-in	Dec 17 Final
Tier 1 capital = CET1 + AT1	**25**	**13,602**	**13,753**	**15,368**	**15,440**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62 (a), 63 to 65, 66 (a), 67	4,580	4,580	4,385	4,385
Instruments issued by subsidiaries recognised in T2	87, 88	217	217	219	219
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	128	0	61	0
Transitional adjustments due to grandfathered T2 instruments and subordinated loans	483 (6) (7), 484, 486, 488, 490, 491	0	0	0	0
IRB excess of provisions over expected losses eligible	62 (d)	402	402	344	344
Tier 2 capital (T2) before regulatory adjustments		**5,326**	**5,199**	**5,010**	**4,948**
Own T2 instruments	63 (b) (i), 66 (a), 67	−58.3	−58.3	−50	−50
Standardised approach general credit risk adjustments	62 (c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	−34	0	−19	0
IRB shortfall of provisions to expected losses (10%)		−34	0	−19	0
T2 instruments of financial sector entities where the institution has a significant investment	4 (1) (27), 66 (d), 68, 69, 79	−0.6	−0.6	−0.6	−0.6
Tier 2 capital (T2)	**71**	**5,234**	**5,140**	**4,940**	**4,898**
Total own funds	**4 (1) (118) and 72**	**18,836**	**18,893**	**20,309**	**20,337**
Capital requirement	**92 (3), 95, 96, 98**	**8,145**	**8,291**	**8,802**	**8,926**
CET1 capital ratio	**92 (2) (a)**	**13.4%**	**12.8%**	**13.4%**	**12.9%**
Tier 1 capital ratio	**92 (2) (b)**	**13.4%**	**13.3%**	**14.0%**	**13.8%**
Total capital ratio	**92 (2) (c)**	**18.5%**	**18.2%**	**18.5%**	**18.2%**

Retained earnings include EUR 728 million of total comprehensive income attributable to owners of the parent.
Minority interest recognised in CET1includes interim result from saving banks in an amount of EUR 216 million.

The capital structure table above is based on EBA's final draft for implementing technical standards on disclosure for own funds published in the Official Journal of the European Union on 20 December 2013. Positions, which are not relevant for Erste Group are not disclosed. The full EBA ITS are shown further back. Basel 3 final figures (fully loaded) are calculated based on the current requirements according to CRR.

Changes are possible due to final Regulatory Technical Standards (RTS) that are not yet available.

The percentage rates of the transitional provisions refer to the current year.

For 2016 the following percentages applied for CET1: Regulatory adjustments relating to unrealised gains (40%) and losses (40%); Other transitional adjustments – goodwill, intangible assets, IRB shortfall of provisions to expected losses (40%) and deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities unti December 2013 (80%) and since January 2014 (40%); on AT1 the following percentages applied: Other transitional adjustments – goodwill and other intangible assets (40%) and IRB shortfall of provisions to expected losses (20%); on tier 2 Other transitional adjustments for IRB shortfall of provisions to expected losses of 20% applied.

The consolidated financial statements have not been reviewed and noticed by the supervisory board and the financial statements of Erste Group Bank AG have not been reviewed by the supervisory board yet.

Likewise financial statements of single entities within the group have not been noticed by the supervisory board yet. In addition, no resolution on the appropriation of the profit has yet been made by the general meeting of the single entity.

Internal models adopted to compute credit RWA in Pillar 1 and respective validations have been assessed by the competent authorities during the last months. These internal models are currently subject to a revision in the context of a comprehensive project with the specific view of addressing identified findings and incorporating regulatory changes. The project comprises a review of the estimation and validation methodologies of the parameters PD, LGD and CCF, the definition of default and changes in rating methods and their validation.

Erste Group reports since the end of the second quarter of 2017 on consolidated level an RWA-add-on in view of the calculation of risk-weighted assets for credit risk in Banca Comercială Română (BCR) in the amount of around EUR 2.4 billion. This RWA increase frontloads the expected difference in BCR between the treatments of exposures under the Standardised Approach compared to the treatment under IRB and is limited in time until the authorization of the IRB-approach in BCR.

Furthermore Erste Group is reporting on consolidated level since Q3 2017 - due to a decision of the European Central Bank in the context of its supervisory assessments in view of deficiencies in credit risk models – a RWA-Add-On of around EUR 1.7 billion until these deficiencies will be addressed in the course of an update of these models.

With a CET1 ratio as of 31 December 2017 of 13.4% (Basel 3 phased-in) on consolidated level, Erste Group Bank AG is robustly capitalized.

Risk structure according to EU regulation 575/2013 (CRR)

in EUR million	Article pursuant to CRR	Dec 16 Total risk (calculation base, phased-in)	Dec 16 Capital requirement (phased-in)	Dec 17 Total risk (calculation base, phased-in)	Dec 17 Capital requirement (phased-in)
Total Risk Exposure Amount	92 (3), 95, 96, 98	101,809	8,145	110,028	8,802
Risk weighted assets (credit risk)	92 (3) (a) (f)	81,915	6,553	86,162	6,893
Standardised approach		14,998	1,200	15,640	1,251
IRB approach		66,918	5,353	70,522	5,642
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	0	0	1	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	3,612	289	2,914	233
Operational Risk	92 (3) (e), 92 (4) (b)	15,140	1,211	17,911	1,433
Exposure for CVA	92 (3) (d)	1,141	91	622	50
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500			2,419	194

in EUR million	Article pursuant to CRR	Dec 16 Total risk (calculation base, final)	Dec 16 Capital requirement (final)	Dec 17 Total risk (calculation base, final)	Dec 17 Capital requirement (final)
Total Risk Exposure Amount	92 (3), 95, 96, 98	103,639	8,291	111,571	8,926
Risk weighted assets (credit risk)	92 (3) (a) (f)	83,746	6,700	87,705	7,016
Standardised approach		14,998	1,200	15,640	1,251
IRB approach		68,748	5,500	72,065	5,765
Settlement Risk	92 (3) (c) (ii), 92 (4) (b)	0	0	1	0
Trading book, foreign FX risk and commodity risk	92 (3) (b) (i) and (c) (i) and (iii), 92 (4) (b)	3,612	289	2,914	233
Operational Risk	92 (3) (e), 92 (4) (b)	15,140	1,211	17,911	1,433
Exposure for CVA	92 (3) (d)	1,141	91	622	50
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500	0	0	2,419	194

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 Implementing Technical Standards (EU) No 1423/2013, which were published in the Official Journal of the European Union on 20 December 2013. Furthermore Ertse Group applies the EBA Guideline No 2014/14 of more frequents disclosure regarding own funds.

Based on the requirements defined by the EBA in the Implementing Technical Standards, 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 pursuant to Art. 32 to 35,36, 56, 66 and 79 CRR- to the own funds of the institution's balance sheet in accordance with Art. 437 (1) (a) CRR (see the following tables: Balance sheet, Total equity, Intangible assets, Tax assets and liabilities, Subordinated liabilities).

_ A table designed by the EBA in order to show the capital structure of regulatory capital. The table includes details on the capital structure of Erste Group including the capital components as well as any regulatory deductions and prudential filters. Disclosures in this table cover the disclosure requirements as defined in Art. 437 (1) (d) CRR, separate disclosure of the nature and amounts of each prudential filter applied pursuant to Art. 32 to 35 CRR, each deduction according to Art. 36, 56 and 66 CRR as well as items not deducted in accordance with Art. 47, 48, 56, 66 and 79 CRR.

The tables in the following sections may contain rounding differences.

Balance sheet reconciliation

Disclosure requirement: Art. 437 (1) (a) CRR

The table below represents the difference between the IFRS - and the regulatory scope of consolidation. Details regarding the number of entities within the different scopes of consolidation are disclosed in the aforementioned 'Presentation of the scope of consolidation' table.

Balance Sheet

	Dec 16			Dec 17		
in EUR million	IFRS	Effects - scope of consolidation	CRR	IFRS	Effects - scope of consolidation	CRR
Assets						
Cash and cash balances	18,353	−6	18,347	21,796	−2	21,794
Financial assets - held for trading	7,950	−2	7,949	6,349	−6	6,343
Derivatives	4,475	2	4,477	3,333	−2	3,331
Other trading assets	3,476	−4	3,471	3,016	−4	3,012
Financial assets - at fair value through profit or loss	480	−58	422	543	−29	514
Financial assets - available for sale	19,886	−463	19,423	16,060	−495	15,565
Financial assets - held to maturity	19,270	−1	19,269	19,800	−1	19,799
Loans and receivables to credit institutions	3,469	−13	3,457	9,126	−4	9,122
Loans and receivables to customers	130,654	513	131,167	139,532	337	139,869
Derivatives - hedge accounting	1,424	0	1,424	884	0	884
Changes in fair value of portfolio hedged items	0	0	0	0	0	0
Property and equipment	2,477	−100	2,377	2,387	−109	2,278
Investment properties	1,023	−247	776	1,112	−283	828
Intangible assets	1,390	−8	1,383	1,524	−9	1,515
Investments in associates and joint ventures	193	−23	170	198	−25	174
Current tax assets	124	0	124	108	0	107
Deferred tax assets	234	−3	231	258	−6	252
Assets held for sale	279	−125	154	214	−78	136
Other assets	1,020	112	1,132	769	92	860
Total assets	**208,227**	**−422**	**207,805**	**220,659**	**−619**	**220,041**
Liabilities and equity						
Financial liabilities - held for trading	4,762	4	4,766	3,423	1	3,424
Derivatives	4,185	3	4,187	2,934	1	2,935
Other trading liabilities	577	1	578	489	0	489
Financial liabilities - at fair value through profit or loss	1,763	0	1,763	1,801	0	1,801
Deposits from banks	0	0	0	0	0	0
Deposits from customers	74	0	74	49	0	49
Debt securities issued	1,689	0	1,689	1,753	0	1,753
Other financial liabilities	0	0	0	0	0	0
Financial liabilities measured at amortised costs	178,909	−281	178,628	191,711	−411	191,300
Deposits from banks	14,631	178	14,809	16,349	−4	16,345
Deposits from customers	137,939	158	138,097	150,921	162	151,082
Debt securities issued	25,503	−80	25,423	23,342	−35	23,307
Other financial liabilities	836	−538	298	1,099	−534	566
Derivatives - hedge accounting	473	0	473	360	0	360
Changes in fair value of portfolio hedged items	942	0	942	666	0	666
Provisions	1,702	−8	1,694	1,648	−10	1,638
Current tax liabilities	66	−2	63	101	−2	99
Deferred tax liabilities	68	−9	59	61	−12	50
Liabilities associated with assets held for sale	5	−5	0	3	0	3
Other liabilities	2,936	−24	2,912	2,596	−104	2,492
Total equity	**16,602**	**−96**	**16,506**	**18,288**	**−82**	**18,206**
Equity attributable to non-controlling interests	4,142	2	4,144	4,416	−13	4,403
Equity attributable to owners of the parent	12,460	−98	12,362	13,872	−69	13,803
Total liabilities and equity	**208,227**	**−422**	**207,805**	**220,659**	**−619**	**220,041**

The following tables represent, as far as possible, a reconciliation between the IFRS balance sheet items to the items of CET1, AT1 and T2, as well as information on the regulatory adjustments arising from correction items in accordance with Art. 32 to 35 CRR and the deductions according to Art. 36, 56, 66 and 79 CRR.

The last column contains a letter that sets the derived amount from IFRS figures with the appropriate eligible amount of own funds presentation during the transitional provisions in conjunction.

Total equity

in EUR million	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 17							
Subscribed capital	860	0	860	0	0	860	
Capital reserve	1,477	0	1,477	0	–1	1,476	
Capital instruments and the related share premium accounts	2,336	0	2,336	0	–1	2,336	a
Retained earnings	10,918	–61	10,857	0	–591	10,266	b
Other comprehensive income (OCI)	–375	–8	–383	192	–41	–233	c
Cash flow hedge reserve	4	0	4	1	0	5	g
Available for sale reserve	545	–2	543	340	–186	697	
thereof 20% prudential filter according to 467 CRR	0	0	0	0	0	16	i
thereof 20% prudential filter according to 468 CRR	0	0	0	0	0	–154	h
Currency translation	–503	–6	–509	0	–13	–521	
Remeasurement of net liability of defined pension plans	–364	0	–364	–150	107	–407	
Deferred tax	–57	0	–57	0	57	0	
Other	0	0	0	0	–7	–7	
Equity attributable to the owners of the parent	**12,879**	**–69**	**12,810**	**192**	**–633**	**12,369**	
Additional Tier 1 (AT1)	993	0	993	0	–993	0	
Equity attributable to non-controlling interests	4,416	–13	4,403	–196	–261	3,946	d
Total equity	**18,288**	**–82**	**18,206**	**–5**	**–1,887**	**16,315**	

in EUR million	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 16							
Subscribed capital	860	0	860	0	0	860	
Capital reserve	1,478	0	1,478	0	–2	1,476	
Capital instruments and the related share premium accounts	2,338	0	2,338	0	–2	2,336	a
Retained earnings	10,090	–94	9,995	0	–477	9,518	b
Other comprehensive income (OCI)	–464	–4	–468	263	–70	–276	c
Cash flow hedge reserve	107	0	107	2	–22	88	g
Available for sale reserve	632	–1	631	410	–235	806	
thereof 40% prudential filter according to 467 CRR						43	i
thereof 40% prudential filter according to 468 CRR						–346	h
Currency translation	–734	–4	–738	0	–20	–757	
Remeasurement of net liability of defined pension plans	–357	0	–357	–149	101	–405	
Deferred tax	–112	0	–112	0	112	0	
Other	0	0	0	0	–7	–7	
Equity attributable to the owners of the parent	**11,963**	**–98**	**11,865**	**263**	**–550**	**11,578**	
Additional Tier 1 (AT1)	497	0	497	0	–497	0	
Equity attributable to non-controlling interests	4,142	2	4,144	–193	–298	3,653	d
Total equity	**16,602**	**–96**	**16,506**	**70**	**–1,344**	**15,231**	

IPS adjustments include the amounts for entities that are consolidated due to the Institutional Protections Scheme according to Art. 113 (7) CRR.
Further details regarding the development of IFRS equity are disclosed under section Group Statement of Changes in Total Equity.

Intangible assets

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 17						
Intangible assets	1,524	–9	1,515	–2	1,513	
80% deductible from CET1 acc. to transitional provisions					1,210	e
20% deductible from AT1 acc. to transitional provisions					303	k
Intangible assets	**1,524**	**–9**	**1,515**	**–2**	**1,513**	

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 16						
Intangible assets	1.390	-8	1.383	-27	1.355	
60% deductible from CET1 acc. to transitional provisions					813	e
40% deductible from AT1 acc. to transitional provisions					542	k
Intangible assets	**1.390**	**-8**	**1.383**	**-27**	**1.355**	

Details regarding the development of intangible assets are disclosed under Note 27 Intangible assets.

Deferred Taxes

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 17						
Deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	49	0	49	–11	38	f
Related DTA allocated on or after Jan 14 for which 80% CET1 deduction is required according to CRR transitional provisions			47	–9	38	
Related DTA allocated up to Dec 13 for which 30% deduction from CET1 is required according to CRR transitional provisions			2	–1	1	
Deferred tax assets that rely on future profitability and arise from temporary differences	209	–6	203	–203	0	
Deferred tax assets	**258**	**–6**	**252**	**–214**	**38**	

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 16						
Deferred tax assets (DTA) that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	74	0	74	–46	28	f
Related DTA allocated on or after Jan 14 for which 60%CET1 deduction is required according to CRR transitional provisions			33	–13	20	
Related DTA allocated up to Dec 13 for which 20% deduction from CET1 is required according to CRR transitional provisions			41	–33	8	
Deferred tax assets that rely on future profitability and arise from temporary differences	160	–3	157	–157	0	
Deferred tax assets	**234**	**–3**	**231**	**–203**	**28**	

Details regarding deferred tax assets are disclosed under Note 28 Tax assets and liabilities.

Based on the threshold definition according to Art. 48 CRR deferred tax assets that rely on future profitability and arise from temporary differences are not deductible for Erste Group at 31 December 2017. In accordance with Art. 48 (4) CRR the non-deductible amount is risk weighted with 250% and considered within the credit risk.

Subordinated liabilities and additional tier 1 issuances

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 17						
Subordinated issues, deposits and supplementary capital	5,948	2	5,949	-1,333	4,616	
Tier 2 capital instruments (including related share premium) issued by the parent company					4,335	l
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties					281	m
thereof instruments issued by subsidiaries subject to phase-out					61	n
Additional Tier 1 (AT1) issuances	995	0	995	4	992	j
Subordinated liabilities	**6,943**	**2**	**6,944**	**–1,335**	**5,608**	

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 16						
Subordinated issues, deposits and supplementary capital	6.310	3	6.313	-1.446	4.866	
Tier 2 capital instruments (including related share premium) issued by the parent company					4.522	l
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties					345	m
thereof instruments issued by subsidiaries subject to phase-out					128	n
Additional Tier 1 (AT1) issuances	499	0	499	-2	497	j
Subordinated liabilities	**6.809**	**3**	**6.812**	**-1.448**	**5.364**	

Details regarding subordinated liabilities are disclosed under Note 32 Financial liabilities-at fair value through profit or loss and Note 33 Financial liabilities measured at amortised cost. EUR 131 million subordinated debt in form of deposits are included in the balance sheet position Financial liabilities measured at amortised cost and are not explicitly shown in Note 33. Details for AT1 issuances can be found under section III Group Statement of Changes in Total Equity. Furthermore, EUR 2 million AT1 from Bausparkasse are considered, which are regulatory not taken into account.

Transitional provisions

The Transitional Provisions which are applied by Erste Group, are based on CRR-Supplementary Regulation according to BGBl II Nr. 425/2013, and the regulation of the European Central Bank on the exercise of options and discretions, ECB/2016/4

Own funds template during the transitional period

Disclosure requirements: Art. 437 (1) (d) (e) CRR

Erste Group does not consider Art. 437 (1) (f) CRR for the calculation of consolidated own funds.

The table below presents the composition of the regulatory capital during the transitional period based on the Implementing Technical Standards on the disclosure of own funds published in the Official Journal of the EU.

In column (A), the current amount, which considers all the transitional requirements, is disclosed. Column (C) discloses the residual amount, implying full CRR implementation. Column (D) provides information of data comparable figures related to IFRS equity, intangible assets, deferred tax assets and subordinated liabilities as previously displayed.

in EUR million		(A) Dec 17	Regulation (EU) No 575/2013 article reference (B)	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013 (C)	Reference to reconciliation tables (D)
1	Capital instruments and the related share premium accounts	2,336	26 (1), 27, 28, 29, EBA list 26 (3)	0	a
	of which: ordinary shares	2,336	EBA list 26 (3)	0	a
2	Retained earnings	10,266	26 (1) (c)	0	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–233	26 (1)	0	c
3a	Fund for general banking risk	0	26 (1) (f)	0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (2)	0	
5	Minority interests (amount allowed in consolidated CET1)	3,946	84, 479, 480	–37	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	0	
6	**CET1 capital before regulatory adjustments**	**16,315**		**–37**	
Common Equity Tier 1 (CET1): regulatory adjustments					
7	Additional value adjustments (negative amount)	–83	34, 105	0	
8	Intangible assets (net of related tax liability) (negative amount)	–1,210	36 (1) (b), 37, 472 (4)	–303	e, k
9	Empty set in the EU				
10	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)	–38	36 (1) (c), 38, 472 (5)	–11	f
11	Fair value reserves related to gains or losses on cash flow hedges	–5	33 (a)	0	g
12	Negative amounts resulting from the calculation of expected loss amounts	–150	36 (1) (d), 40, 159, 472 (6)	–37	
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	142	33 (b)	0	
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41, 472 (7)	0	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–91	36 (1) (f), 42, 472 (8)	–14	
17	Holdings of the CET1 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	36 (1) (g), 44, 472 (9)	0	
18	Direct, indirect and synthetic holdings 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	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	0	
19	Direct, indirect and synthetic holdings 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	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	0	
20	Empty set in the EU				
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	–29	36 (1) (k)	0	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91	0	
20c	of which: securitisation positions (negative amount)	–29	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	0	
20d	of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)	0	

The table is continued on the next page.

Continuation of the table

	in EUR million	(A) Dec 17	(B)	(C)	(D)
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)	0	
23	of which: 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	0	36 (1) (i), 48 (1) (b), 470, 472 (11)	0	
24	Empty set in the EU				
25	of which: deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
25a	Losses for the current financial year (negative amount)	0	36 (1) (a), 472 (3)	0	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)	0	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	–138		138	
	of which: unrealised losses	16	467	–16	i
	of which: unrealised gains	–154	468	154	h
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	0	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36 (1) (j)	0	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**–1,603**		**–227**	
29	**CET1 capital**	**14,712**		**–265**	
Additional Tier 1 (AT1) capital: instruments			**0**		
30	Capital instruments and the related share premium accounts	993	51, 52	0	
31	of which: classified as equity under applicable accounting standards	993		0	
32	of which: classified as liabilities under applicable accounting standards	0		0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486 (3)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (3)	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	0	85, 86, 480	0	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486 (3)	0	
36	**AT1 capital before regulatory adjustments**	**993**		**0**	**j**
Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	–2	52 (1) (b), 56 (a), 57, 475 (2)	0	j
38	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	56 (b), 58, 475 (3)	0	
39	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	56 (c), 59, 60, 79, 475 (4)	0	
40	Direct, indirect and synthetic holdings of the AT1 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	56 (d), 59, 79, 475 (4)	0	

The table is continued on the next page.

Continuation of the table

in EUR million		(A) Dec 17	(B)	(C)	(D)
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)	0		0	
41a	Residual amounts deducted from AT1 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–336	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	336	
	of which: interim loss	0		0	
	of which: intangible assets	–303		303	k
	of which: shortfall of provisions to expected loss	–19		19	
	of which: own CET1 Instruments	–14		14	
41b	Residual amounts deducted from AT1 with regard to deduction from T2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477 (3), 477 (4) (a)		
	of which: reciprocal cross holdings in T2 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
41c	Amount to be deducted from or added to AT1 with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0	
	of which: possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	0	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**–337**		**336**	
44	**Additional Tier 1 (AT1) capital**	**656**		**336**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**15,368**		**71**	
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	4,385	62, 63	0	l
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	486 (4)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (4)	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	281	87, 88, 480	–61	m
49	of which: instruments issued by subsidiaries subject to phase-out	61	486 (4)	–61	n
50	Credit risk adjustments	344	62 (c) (d)	0	
51	**Tier 2 (T2) capital before regulatory adjustment**	**5,010**		**–61**	
T2 capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–50	63 (b) (i), 66 (a), 67, 477 (2)	0	l
53	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	66 (b), 68, 477 (3)	0	
54	Direct, indirect and synthetic 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	66 (c), 69, 70, 79, 477 (4)	0	
54a	of which: new holdings not subject to transitional arrangements	0		0	
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements	0		0	

The table is continued on the next page.

Continuation of the table

in EUR million		(A) Dec 17	(B)	(C)	(D)
55	Direct, indirect and synthetic holdings 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 amounts)	–0.6	66 (d), 69, 79, 477 (4)	0	
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		0	
56a	Residual amounts deducted from T2 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–19	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	19	
	of which: shortfall of provisions to expected loss	–19	472 (6)	19	
	of which: non-significant investments	0	472 (10)	0	
56b	Residual amounts deducted from T2 with regard to deduction from AT1 during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475 (2) (a), 475 (3), 475 (4) (a)	0	
	of which: reciprocal cross holdings in T1 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
56c	Amounts to be deducted from or added to T2 with regard to additional filters and deductions required pre- CRR	0	467, 468, 481	0	
	of which possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–69**		**19**	
58	**Tier 2 (T2) capital**	**4,940**		**–43**	
59	**Total capital (TC = T1 + T2)**	**20,309**		**29**	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		0	
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	0	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	0	
	of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	0	
60	**Total risk-weighted assets**	**110,028**		**1,543**	
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.4%	92 (2) (a), 465	–0.4%	
62	Tier 1 (as a percentage of total risk exposure amount)	14.0%	92 (2) (b), 465	–0.1%	
63	Total capital (as a percentage of total risk exposure amount)	18.5%	92 (2) (c)	–0.2%	

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Continuation of the table

	in EUR million	(A) Dec 17	(B)	(C)	(D)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	1.90%	CRD 128, 129, 130	0	
65	of which: capital conservation buffer requirement	1.25%		0	
66	of which: countercyclical buffer requirement	0.15%		0	
67	of which: systemic risk buffer requirement	0.50%		0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.50%	CRD 131	0	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.1%	CRD 128	0	
69	[non-relevant in EU regulation]				
70	[non-relevant in EU regulation]				
71	[non-relevant in EU regulation]				
Amounts below the thresholds for deduction (before risk-weighting)					
72	Direct and indirect holdings of the capital 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)	526	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0	
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	302	36 (1) (i), 45, 48, 470, 472 (11)	0	
74	Empty set in the EU				
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	203	36 (1) (c), 38, 48, 470, 472 (5)	0	
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	195	62	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	344	62	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	423	62	0	
Capital instruments subject to phase-out arrangements (only applicable between January 2013 and January 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements	50%	484 (3), 486 (2) & (5)	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	0	
82	Current cap on AT1 instruments subject to phase-out arrangements	50%	484 (4), 486 (3) & (5)	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) & (5)	0	
84	Current cap on T2 instruments subject to phase-out arrangements	50%	484 (5), 486 (4) & (5)	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	0	

	in EUR million	(A) Dec 16	Regulation (EU) No 575/2013 article reference (B)	Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) 575/2013 (C)	Reference to reconciliation tables (D)
1	Capital instruments and the related share premium accounts	2,336	26 (1), 27, 28, 29, EBA list 26 (3)	0	a
	of which: ordinary shares	2,336	EBA list 26 (3)	0	a
2	Retained earnings	9,518	26 (1) (c)	0	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	–276	26 (1)	0	c
3a	Funds for general banking risk	0	26 (1) (f)	0	
4	Amount of qualifying items referred to in article 484 (3) and the related share premium accounts subject to phase out from CET1	0	486 (2)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (2)	0	
5	Minority interests (amount allowed in consolidated CET1)	3,653	84, 479, 480	–72	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26 (2)	0	
6	**CET1 capital before regulatory adjustments**	**15,232**		**–72**	
Common equity tier 1 (CET1): regulatory adjustments					
7	Additional value adjustments (negative amount)	–90	34, 105	0	
8	Intangible assets (net of related tax liability) (negative amount)	–813	36 (1) (b), 37, 472 (4)	–542	e, k
9	Empty set in the EU				
10	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)	–28	36 (1) (c), 38, 472 (5)	–46	f
11	Fair value reserves related to gains or losses on cash flow hedges	–88	33 (a)	0	g
12	Negative amounts resulting from the calculation of expected loss amounts	–101	36 (1) (d), 40, 159, 472 (6)	–67	
13	Any increase in equity that results from securitised assets (negative amount)	0	32 (1)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–65	33 (b)	0	
15	Defined-benefit pension fund assets (negative amount)	0	36 (1) (e), 41, 472 (7)	0	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–31	36 (1) (f), 42, 472 (8)	–3	
17	Holdings of the CET1 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	36 (1) (g), 44, 472 (9)	0	
18	Direct and, indirect 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	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	0	
19	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 above 10% threshold and net of eligible short positions) (negative amount)	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	0	
20	Empty set in the EU				
20a	Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	–29	36 (1) (k)	0	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36 (1) (k) (i), 89 to 91	0	
20c	of which: securitisation positions (negative amount)	–29	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258	0	
20d	of which: free deliveries (negative amount)	0	36 (1) (k) (iii), 379 (3)	0	

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Continuation of the table

	in EUR million	(A) Dec 16	(B)	(C)	(D)
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in article 38 (3) are met) (negative amount)	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
22	Amount exceeding the 15% threshold (negative amount)	0	48 (1)	0	
23	of which: 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	0	36 (1) (i), 48 (1) (b), 470, 472 (11)	0	
24	Empty set in the EU				
25	of which: deferred tax assets arising from temporary differences	0	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	0	
25a	Losses for the current financial year (negative amount)	0	36 (1) (a), 472 (3)	0	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36 (1) (l)	0	
26	Regulatory adjustments applied to common equity tier 1 in respect of amounts subject to pre-CRR treatment	0		0	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468	–302		302	
	of which: unrealised losses	43	467	–43	i
	of which: unrealised gains	–346	468	346	h
26b	Amount to be deducted from or added to common equity tier 1 capital with regard to additional filters and deductions required pre CRR	0	481	0	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	–82	36 (1) (j)	82	
28	**Total regulatory adjustments to common equity tier 1 (CET1)**	**–1,629**		**–275**	
29	**CET1 capital**	**13,602**		**–346**	
Additional tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	497	51, 52	0	
31	of which: classified as equity under applicable accounting standards	497		0	
32	of which: classified as liabilities under applicable accounting standards	0		0	
33	Amount of qualifying items referred to in article 484 (4) and the related share premium accounts subject to phase out from AT1	0	486 (3)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (3)	0	
34	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	2	85, 86, 480	0	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486 (3)	0	
36	**AT1 capital before regulatory adjustments**	**499**		**0**	**j**
Additional tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	–2	52 (1) (b), 56 (a), 57, 475 (2)	0	j
38	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	56 (b), 58, 475 (3)	0	
39	Direct and indirect holdings by the institution 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	56 (c), 59, 60, 79, 475 (4)	0	
40	Direct and indirect holdings by the institution AT1 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	56 (d), 59, 79, 475 (4)	0	

The table is continued on the next page.

Continuation of the table

in EUR million		(A) Dec 16	(B)	(C)	(D)
41	Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		0	
41a	Residual amounts deducted from AT1 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–579	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	579	
	of which: material net interim loss	0		0	
	of which: intangible assets	–542		542	k
	of which: shortfall of provisions to expected loss	–34		34	
	of which: own CET1 Instruments	–3		3	
41b	Residual amounts deducted from AT1 capital with regard to deduction from T2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	477, 477 (3), 477 (4) (a)		
	of which: reciprocal cross holdings in T2 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
41c	Amount to be deducted from or added to AT1 with regard to additional filters and deductions required pre-CRR	0	467, 468, 481	0	
	of which: possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56 (e)	0	
43	**Total regulatory adjustments to additional tier 1 (AT1) capital**	**–580**		**579**	
44	**Additional tier 1 (AT1) capital**	**0**		**497**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**13,602**		**151**	
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	4,580	62, 63	0	l
47	Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase out from T2	0	486 (4)	0	
	Public sector capital injections grandfathered until Jan 18	0	483 (4)	0	
48	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	345	87, 88, 480	–128	m
49	of which: instruments issued by subsidiaries subject to phase-out	128	486 (4)	–128	n
50	Credit risk adjustments	402	62 (c) (d)	0	
51	**Tier 2 (T2) capital before regulatory adjustments**	**5,326**		**–128**	
T2 capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–58	63 (b) (i), 66 (a), 67, 477 (2)	0	l
53	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	66 (b), 68, 477 (3)	0	
54	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	66 (c), 69, 70, 79, 477 (4)	0	
54a	of which: new holdings not subject to transitional arrangements	0		0	
54b	of which: holdings existing before 1 January 2013 and subject to transitional arrangements	0		0	

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Continuation of the table

	in EUR million	(A) Dec 16	(B)	(C)	(D)
55	Direct and indirect holdings by the insitution 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 amounts)	–0.6	66 (d), 69, 79, 477 (4)	0	
56	Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	0		0	
56a	Residual amounts deducted from T2 with regard to deduction from CET1 during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–34	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	34	
	of which: shortfall of provisions to expected loss	–34	472 (6)	34	
	of which: non-significant investments	0	472 (10)	0	
56b	Residual amounts deducted from T2 with regard to deduction from AT1 during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	0	475, 475 (2) (a), 475 (3), 475 (4) (a)	0	
	of which: reciprocal cross holdings in AT1 instruments	0		0	
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	0		0	
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre-CRR	0	467, 468, 481	0	
	of which possible filter to unrealised losses	0	467	0	
	of which: possible filter to unrealised gains	0	468	0	
57	**Total regulatory adjustments to tier 2 (T2) capital**	**–92**		**34**	
58	**Tier 2 (T2) capital**	**5,234**		**–94**	
59	**Total capital (TC = T1 + T2)**	**18,836**		**57**	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	0		0	
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	0	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	0	
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	0	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	0	
	of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)	0	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	0	
60	**Total risk-weighted assets**	**101,809**		**1,831**	
Capital ratios and buffers					
61	Common equity tier 1 (as a percentage of risk exposure amount)	13.4%	92 (2) (a), 465	–0.6%	
62	Tier 1 (as a percentage of risk exposure amount)	13.4%	92 (2) (b), 465	–0.1%	
63	Total capital (as a percentage of risk exposure amount)	18.5%	92 (2) (c)	–0.3%	

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Continuation of the table

in EUR million		(A) Dec 16	(B)	(C)	(D)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	0.878%	CRD 128, 129, 130	0	
65	of which: capital conservation buffer requirement	0.625%		0	
66	of which: countercyclical buffer requirement	0.003%		0	
67	of which: systemic risk buffer requirement	0.25%		0	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.25%	CRD 131	0	
68	Common equity tier 1 available to meet buffers (as a percentage of risk exposure amount)	3.0%	CRD 128	0	
69	[non-relevant in EU regulation]				
70	[non-relevant in EU regulation]				
71	[non-relevant in EU regulation]				
Amounts below the thresholds for deduction (before risk-weighting)					
72	Direct and indirect holdings of the capital 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)	561	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	0	
73	Direct and indirect holdings by the intitution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	306	36 (1) (i), 45, 48, 470, 472 (11)	0	
74	Empty set in the EU				
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	157	36 (1) (c), 38, 48, 470, 472 (5)	0	
Applicable caps on the inclusion of provisions in tier 2					
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	62	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	187	62	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	587	62	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	402	62	0	
Capital instruments subject to phase-out arrangements (only applicable between January 2013 and January 2022)					
80	Current cap on CET1 instruments subject to phase-out arrangements	60%	484 (3), 486 (2) & (5)	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484 (3), 486 (2) & (5)	0	
82	Current cap on AT1 instruments subject to phase-out arrangements	60%	484 (4), 486 (3) & (5)	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484 (4), 486 (3) & (5)	0	
84	Current cap on T2 instruments subject to phase-out arrangements	60%	484 (5), 486 (4) & (5)	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484 (5), 486 (4) & (5)	0	

53. Events after the balance sheet date

There are no significant events after the balance sheet date.

54. Country by country reporting

Starting with 2014 Erste Group publishes information about Group's country by country activities as required by Article 89 of the EU Capital Requirements Directive IV.

Dec 17 in EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Austria	3,072	665	-136	-165
Croatia	390	54	-23	-9
Czech Republic	1,195	489	-123	-146
Hungary	386	178	-17	-13
Romania	694	285	-53	0
Serbia	81	35	-2	0
Slovakia	596	249	-55	-71
Other locations	255	123	-1	-3
Total	**6,669**	**2,078**	**-410**	**-407**

Dec 16 in EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Austria	2,922	328	-131	-167
Croatia	414	139	-40	-8
Czech Republic	1,375	674	-130	-135
Hungary	346	151	-12	-12
Romania	685	311	-29	-9
Serbia	72	26	-1	0
Slovakia	628	245	-74	-75
Other locations	249	76	3	-2
Total	**6,691**	**1,950**	**-414**	**-408**

For information regarding the relevant country of residence of each fully consolidated entity refer to Note 55 Details of the companies wholly or partly owned by Erste Group as of 31 December 2017.

For the periods reported above, Erste Group did not receive any kind of public or state subsidies.

Information about the geographical split of the average number of headcounts employed in Erste Group throughout 2017 is disclosed in Note 6 General administrative expenses.

55. Details of the companies wholly or partly owned by Erste Group as of 31 December 2017

The table below presents material, fully consolidated subsidiaries, investments in associates accounted for at equity and other investments.

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
Fully consolidated subsidiaries			
Credit institutions			
Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft	Linz	39.8	39.2
Banca Comerciala Romana Chisinau S.A.	Chişinău	93.6	93.6
Banca Comerciala Romana SA	Bucharest	93.6	93.6
Banka Sparkasse d.d.	Ljubljana	28.0	28.0
Bankhaus Krentschker & Co. Aktiengesellschaft	Graz	25.0	25.0
Bausparkasse der österreichischen Sparkassen Aktiengesellschaft	Vienna	95.0	95.0
BCR Banca pentru Locuinte SA	Bucharest	93.9	93.6
Ceska sporitelna, a.s.	Prague	99.0	99.0
Die Zweite Wiener Vereins-Sparcasse	Vienna	0.0	0.0
Dornbirner Sparkasse Bank AG	Dornbirn	0.0	0.0
Erste & Steiermärkische Bank d.d.	Rijeka	69.3	69.3
ERSTE BANK AD PODGORICA	Podgorica	69.3	69.3
ERSTE BANK AKCIONARSKO DRUŠTVO, NOVI SAD	Novi Sad	80.5	80.5
Erste Bank der oesterreichischen Sparkassen AG	Vienna	100.0	100.0
Erste Bank Hungary Zrt	Budapest	70.0	85.0
Erste Group Bank AG	Vienna	0.0	0.0
ERSTE Jelzálogbank Zártkörüen Müködö Részvénytársaság	Budapest	70.0	85.0
Erste Lakas-Takarekpenztar Zartkoruen Mukodo Reszvenytarsasag	Budapest	70.0	85.0
Kärntner Sparkasse Aktiengesellschaft	Klagenfurt	25.0	25.0
KREMSER BANK UND SPARKASSEN AKTIENGESELLSCHAFT	Krems a. d. Donau	0.0	0.0
Lienzer Sparkasse AG	Lienz	0.0	0.0
s Wohnbaubank AG	Vienna	91.5	100.0
Salzburger Sparkasse Bank Aktiengesellschaft	Salzburg	98.7	100.0
Slovenska sporitelna, a. s.	Bratislava	100.0	100.0
Sparkasse Baden	Baden bei Wien	0.0	0.0
Sparkasse Bank dd Bosna i Hercegovina	Sarajevo	24.3	24.3
SPARKASSE BANK MAKEDONIJA AD SKOPJE	Skopje	24.9	24.9
Sparkasse Bludenz Bank AG	Bludenz	0.0	0.0
Sparkasse Bregenz Bank Aktiengesellschaft	Bregenz	0.0	0.0
Sparkasse der Gemeinde Egg	Egg	0.0	0.0
Sparkasse der Stadt Amstetten AG	Amstetten	0.0	0.0
Sparkasse der Stadt Feldkirch	Feldkirch	0.0	0.0
Sparkasse der Stadt Kitzbühel	Kitzbühel	0.0	0.0
Sparkasse Eferding-Peuerbach-Waizenkirchen	Eferding	0.0	0.0
Sparkasse Feldkirchen/Kärnten	Feldkirchen	0.0	0.0
SPARKASSE FRANKENMARKT AKTIENGESELLSCHAFT	Frankenmarkt	0.0	0.0
Sparkasse Hainburg-Bruck-Neusiedl Aktiengesellschaft	Hainburg a. d. Donau	75.0	75.0
Sparkasse Haugsdorf	Haugsdorf	0.0	0.0
Sparkasse Herzogenburg-Neulengbach Bank Aktiengesellschaft	Herzogenburg	0.0	0.0
Sparkasse Horn-Ravelsbach-Kirchberg Aktiengesellschaft	Horn	0.0	0.0
Sparkasse Imst AG	Imst	0.0	0.0
Sparkasse Korneuburg AG	Korneuburg	0.0	0.0
Sparkasse Kufstein Tiroler Sparkasse von 1877	Kufstein	0.0	0.0
Sparkasse Lambach Bank Aktiengesellschaft	Lambach	0.0	0.0
Sparkasse Langenlois	Langenlois	0.0	0.0
Sparkasse Mittersill Bank AG	Mittersill	0.0	0.0
Sparkasse Mühlviertel-West Bank Aktiengesellschaft	Rohrbach	40.0	40.0
Sparkasse Mürzzuschlag Aktiengesellschaft	Mürzzuschlag	0.0	0.0
Sparkasse Neuhofen Bank Aktiengesellschaft	Neuhofen	0.0	0.0
Sparkasse Neunkirchen	Neunkirchen	0.0	0.0
SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT	St. Pölten	0.0	0.0
Sparkasse Pöllau AG	Pöllau	0.0	0.0
Sparkasse Pottenstein N.Ö.	Pottenstein a. d. Triesting	0.0	0.0
Sparkasse Poysdorf AG	Poysdorf	0.0	0.0
Sparkasse Pregarten - Unterweißenbach AG	Pregarten	0.0	0.0
Sparkasse Rattenberg Bank AG	Rattenberg	0.0	0.0
Sparkasse Reutte AG	Reutte	0.0	0.0
Sparkasse Ried im Innkreis-Haag am Hausruck	Ried im Innkreis	0.0	0.0
Sparkasse Salzkammergut AG	Bad Ischl	0.0	0.0
Sparkasse Scheibbs AG	Scheibbs	0.0	0.0
Sparkasse Schwaz AG	Schwaz	0.0	0.0
Sparkasse Voitsberg-Köflach Bankaktiengesellschaft	Voitsberg	5.0	4.2
Stavebni sporitelna Ceske sporitelny, a.s.	Prague	99.0	99.0
Steiermärkische Bank und Sparkassen Aktiengesellschaft	Graz	25.0	25.0
Tiroler Sparkasse Bankaktiengesellschaft Innsbruck	Innsbruck	75.0	75.0
Waldviertler Sparkasse Bank AG	Zwettl	0.0	0.0
Wiener Neustädter Sparkasse	Wiener Neustadt	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
Financial institutions			
"DIE EVA" Grundstückverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
"Die Kärntner" Trust- Vermögensverwaltungsgesellschaft m.b.H. & Co KG	Klagenfurt	25.0	25.0
"Die Kärntner" Trust-Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
"Nare" Grundstücksverwertungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
"SELIMMO" - Sparkasse Mühlviertel-West - DIE ERSTE Leasing - Immobilienvermietung GmbH	Rohrbach	69.4	69.4
Alea-Grundstückverwaltung Gesellschaft m.b.H.	Vienna	100.0	100.0
Altstadt Hotelbetriebs GmbH	Vienna	100.0	100.0
AS-Alpha Grundstücksverwaltung Gesellschaft m.b.H.	Vienna	39.8	39.2
Asset Management Slovenskej sporitelne, správ. spol., a. s.	Bratislava	98.8	98.8
AVION-Grundverwertungsgesellschaft m.b.H.	Vienna	51.0	51.0
AWEKA - Kapitalverwaltungsgesellschaft m.b.H.	Graz	25.0	25.0
BCR Leasing IFN SA	Bucharest	93.6	93.6
BCR Payments Services SRL	Sibiu	93.6	93.6
BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private SA	Bucharest	93.6	93.6
BOOTES-Immorent Grundverwertungs-Gesellschaft m.b.H.	Vienna	100.0	100.0
brokerjet Ceské sporitelny, a.s. v likvidaci	Prague	99.0	99.0
BTV-Beteiligungs-, Treuhand-, Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
C&C Atlantic Limited	Dublin	100.0	100.0
CEE Property Development Portfolio 2 a.s.	Prague	99.0	99.0
CEE Property Development Portfolio B.V.	Amsterdam	19.8	19.8
Ceska sporitelna - penzijni spolecnost, a.s.	Prague	99.0	99.0
Cinci-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
CS Property Investment Limited	Nicosia	99.0	99.0
Czech and Slovak Property Fund B.V.	Amsterdam	19.8	19.8
Czech TOP Venture Fund B.V.	Groesbeek	83.1	83.1
DENAR-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
DIE ERSTE Leasing Grundaufschließungs- und Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Grundbesitzgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Grundstückverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilien Vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilienbesitzgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Immobilienverwaltungs- und -vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Leasing Realitätenverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA - Liegenschaftsverwaltunggesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA-Gebäudeleasinggesellschaft m.b.H.	Vienna	100.0	100.0
DIE EVA-Immobilienleasing und -erwerb Gesellschaft m.b.H.	Vienna	100.0	100.0
Diners Club International Mak d.o.o.e.l. in Skopje	Skopje	0.0	69.3
Drustvo za lizing nekretnina, vozila, plovila i masina "S-Leasing" doo Podgorica	Podgorica	62.5	62.5
EB Erste Bank Internationale Beteiligungen GmbH	Vienna	100.0	100.0
EBB-Epsilon Holding GmbH	Vienna	100.0	100.0
EB-Grundstücksbeteiligungen GmbH	Vienna	100.0	100.0
EKZ-Immorent Vermietung GmbH	Vienna	100.0	100.0
Epsilon Immorent s.r.o.	Prague	100.0	100.0
Erste & Steiermärkische S-Leasing drustvo s ogranicenom odgovornoscu za leasing vozila i strojeva	Zagreb	47.1	47.1
Erste Asset Management d.o.o.	Zagreb	98.8	98.8
Erste Asset Management GmbH	Vienna	98.8	98.8
Erste Asset Management Ltd. (vm Erste Alapkezelo Zrt.)	Budapest	98.8	98.8
Erste Bank und Sparkassen Leasing GmbH	Vienna	100.0	100.0
Erste Befektetesi Zrt.	Budapest	70.0	85.0
ERSTE CARD CLUB d.o.o.	Zagreb	69.3	69.3
ERSTE CARD poslovanje s kreditnimi karticami, d.o.o.	Ljubljana	69.3	69.3
ERSTE FACTORING d.o.o.	Zagreb	76.9	76.9
Erste Group Immorent CR s.r.o.	Prague	100.0	100.0
Erste Group Immorent GmbH	Vienna	100.0	100.0
Erste Group Immorent International Holding GmbH	Vienna	100.0	100.0
Erste Group Immorent Korlátolt Felelösségü Társaság "végelszámolás alatt"	Budapest	100.0	100.0
Erste Group Immorent Lízing Zártkörüen Müködö Részvénytársaság	Budapest	100.0	100.0
ERSTE GROUP IMMORENT POLSKA SPOLKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Warsaw	100.0	100.0
ERSTE GROUP IMMORENT Real Estate srl	Bucharest	100.0	100.0
Erste Group Immorent Slovensko s.r.o.	Bratislava	100.0	100.0
ERSTE GROUP IMMORENT SRL	Bucharest	100.0	100.0
ERSTE Immobilien Kapitalanlagegesellschaft m.b.H.	Vienna	74.3	74.3
Erste Lakaslizing Zrt.	Budapest	70.0	85.0
Erste Leasing, a.s.	Znojmo	99.0	99.0
ERSTE-SPARINVEST Kapitalanlagegesellschaft m.b.H.	Vienna	86.0	85.7
EVA-Immobilienvermietungs- und -verwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Eva-Immobilienverwaltungsgesellschaft m.b.H.	Vienna	100	100
Eva-Realitätenverwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
F & S Leasing GmbH	Klagenfurt	100.0	100.0
Factoring Ceske sporitelny a.s.	Prague	99.0	99.0
Gémeskút Ingatlanforgalmazó és Beruházó Kft. "végelszámolás alatt"	Budapest	100.0	100.0
GIROLEASING-Mobilienvermietungsgesellschaft m.b.H.	Vienna	62.5	62.5

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
GLADIATOR LEASING IRELAND LIMITED	Dublin	100.0	100.0
Gladiator Leasing Limited	Pieta	100.0	100.0
GLL 1551 TA Limited	Pieta	100.0	100.0
GLL 29235 LIMITED	Pieta	100.0	100.0
GLL A319 AS LIMITED	Pieta	100.0	100.0
GLL A330 Limited	Dublin	100.0	100.0
GLL CLASSIC 400 LIMITED	Pieta	100.0	100.0
GLL Engine Leasing Limited	Pieta	100.0	100.0
GLL MSN 038 / 043 LIMITED	Pieta	100.0	100.0
GLL MSN 2118 LIMITED	Dublin	100.0	100.0
good.bee credit IFN S.A.	Bucharest	60.0	60.0
good.bee Holding GmbH	Vienna	60.0	60.0
Holding Card Service, s.r.o.	Prague	99.3	99.3
Hotel- und Sportstätten Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H. Leasing KG	St. Pölten	54.5	54.5
Hotel- und Sportstätten-Beteiligungs-, Errichtungs- und Betriebsgesellschaft m.b.H.	Vienna	38.0	38.0
ILGES - Immobilien- und Leasing - Gesellschaft m.b.H.	Rohrbach	40.0	40.0
IMMORENT - ANDROMEDA Grundverwertungsgesellschaft m.b.H.	Vienna	41.9	41.9
Immorent - Immobilienleasing Gesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Kagraner Grundstücksverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Weiko Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent - Wörgler Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT ALFA leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT DELTA, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
ImmoRent Einkaufszentren Verwaltungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT EPSILON, leasing druzba, d.o.o.	Ljubljana	50.0	50.0
IMMORENT INPROX Budweis s.r.o. v likvidaci	Prague	100.0	100.0
Immorent Lehrbauhöfeerrichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent Oktatási Ingatlanhasznosító és Szolgáltató Kft.	Budapest	56.0	56.0
IMMORENT PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT PTC, s.r.o.	Prague	100.0	100.0
IMMORENT RIED GmbH	Vienna	100.0	100.0
IMMORENT SPARKASSE ST.PÖLTEN Leasinggesellschaft m.b.H.	St. Pölten	50.0	50.0
IMMORENT Térinvest Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT West Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-ANUBIS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-ASTRA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-BRAUGEBÄUDE-Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-CHEMILEN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Clio-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Gamma-Grundstücksverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Gebäudeleasinggesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-GREKO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-JULIA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Kappa Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-KRABA Grundverwertungsgesellschaft m.b.H.	Vienna	90.0	100.0
IMMORENT-LEANDER Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Lispa Grundverwertungsgesellschaft m.b.H. in Liqu.	Innsbruck	51.0	51.0
IMMORENT-MARCO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MOMO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-MÖRE Grundverwertungsgesellschaft m.b.H.	Vienna	69.8	69.5
Immorent-Mytho Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
IMMORENT-NERO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-Objektvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-OSIRIS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-PAN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RAFI Grundverwertungsgesellschaft m.b.H. in Liqu.	Vienna	62.5	62.5
IMMORENT-Raiffeisen Fachhochschule Errichtungs- und BetriebsgmbH	Vienna	55.0	55.0
IMMORENT-RAMON Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-RASTA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-REMUS Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RIALTO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RIO Grundverwertungsgesellschaft m.b.H.	Vienna	55.0	55.0
IMMORENT-RIWA Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RONDO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-RUBIN Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
IMMORENT-SARI Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Sigre Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-Smaragd Grundverwertung GmbH	Schwaz	0.0	0.0
Immorent-Theta-Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
IMMORENT-TRIAS Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
IMMORENT-UTO Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Immorent-WBV Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
IMMORENT-WEBA Grundverwertungsgesellschaft m.b.H. in Liqu.	Vienna	75.0	100.0
IMNA-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
Imobilia Kik s.r.o.	Prague	100.0	100.0
Intermarket Bank AG	Vienna	84.9	93.8
IR Beteiligungsverwaltungsgesellschaft mbH	Vienna	100.0	100.0
IR Domestic Project Development Holding GmbH	Vienna	100.0	100.0
IR REAL ESTATE LEASING d.o.o. u likvidaciji	Zagreb	92.5	92.5
Jersey Holding (Malta) Limited	Pieta	100.0	100.0
Kärntner Sparkasse Vermögensverwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Beteiligungs- und Vermögens-Verwaltungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
Lassallestraße 7b Immobilienverwaltung GmbH	Vienna	100.0	100.0
Lighthouse 449 Limited	Pieta	100.0	100.0
LogCap Immorent Uno s.r.o.	Bratislava	51.0	51.0
LogCap-IR Grundverwertungsgesellschaft m.b.H.	Vienna	51.0	51.0
MEKLA Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
MOPET CZ a.s.	Prague	99.0	99.0
NAXOS-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
NÖ-Sparkassen Beteiligungsgesellschaft m.b.H.	Vienna	2.5	2.5
Ölim-Grundverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
OMEGA IMMORENT s.r.o.	Prague	100.0	100.0
OREST-Immorent Leasing GmbH	Vienna	100.0	100.0
Österreichisches Volkswohnungswerk, Gemeinnützige Gesellschaft mit beschränkter Haftung	Vienna	100.0	100.0
PAROS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Pischeldorfer Straße 221 Liegenschaftsverwertungs GmbH	Vienna	100.0	100.0
PONOS-Immorent Immobilienleasing GmbH	Graz	62.5	62.5
PREDUZECE ZA FINANSIJSKI LIZING S-LEASING DOO, BEOGRAD	Belgrade	66.6	66.6
REICO investicni spolecnost Ceske sporitelny, a.s.	Prague	99.0	99.0
RHEA-Immorent Holding GmbH	Vienna	100.0	100.0
s Autoleasing a.s.	Prague	99.0	99.0
s Autoleasing SK, s.r.o.	Bratislava	99.0	99.0
S IMMORENT KAPPA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S IMMORENT OMIKRON drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S Slovensko, spol. s r.o.	Bratislava	100.0	100.0
SAL Liegenschaftsverwaltungsgesellschaft m.b.H. in Liqu.	Vienna	69.3	69.0
Salzburger Sparkasse Leasing Gesellschaft m.b.H.	Vienna	99.0	100.0
SCIENTIA Immorent GmbH	Vienna	100.0	100.0
S-Factoring, faktoring druzba d.d.	Ljubljana	28.0	28.0
Sieben-Tiroler-Sparkassen Beteiligungsgesellschaft m.b.H.	Kufstein	0.0	0.0
S-Leasing Gesellschaft m.b.H.	Kirchdorf a. d. Krems	69.9	69.6
S-Leasing Immobilienvermietungsgesellschaft m.b.H.	Wiener Neustadt	33.3	33.3
SOLIS-CIVITAS-IMMORENT GmbH in Liqu.	Vienna	100.0	100.0
SPARKASSE IMMORENT Grundverwertungsgesellschaft m.b.H.	Vienna	99.0	100.0
Sparkasse Kufstein Immobilien GmbH	Kufstein	0.0	0.0
Sparkasse Leasing d.o.o., Sarajevo	Sarajevo	24.6	24.6
Sparkasse Leasing d.o.o., Skopje	Skopje	25.0	25.0
Sparkasse Leasing S,družba za financiranje d.o.o.	Ljubljana	28.0	28.0
Sparkasse Mühlviertel-West Holding GmbH	Rohrbach	40.0	40.0
Sparkassen IT Holding AG	Vienna	31.1	31.1
SPARKASSEN LEASING druzba za financiranje d.o.o.	Ljubljana	50.0	50.0
Sparkassen Leasing Süd GmbH	Graz	51.3	51.3
Sparkassen Leasing Süd GmbH & Co KG	Graz	46.4	46.4
S-RENT DOO BEOGRAD	Belgrade	35.5	35.5
Strabag Oktatási PPP Ingatlanhasznosító és Szolgáltató Korlátolt Felelösségü Társaság	Budapest	70.0	70.0
Subholding Immorent GmbH	Vienna	100.0	100.0
SVJETILJKA drustvo s ogranicenom odgovornoscu za trgovinu i promet nekretninama	Zagreb	100.0	100.0
TAURIS-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Tempo Projekt Ingatlanhasznosító Korlátolt Felelösségü Társaság	Budapest	100.0	100.0
Theta Immorent s.r.o.	Prague	100.0	100.0
Theuthras-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	62.5	62.5
TIPAL Immobilien GmbH in Liquidation	Bozen	92.5	92.5
UBG-Unternehmensbeteiligungsgesellschaft m.b.H.	Vienna	100.0	100.0
VIA Immobilien Errichtungsgesellschaft m.b.H.	Vienna	100.0	100.0
Vorarlberger Sparkassen Beteiligungs GmbH	Dornbirn	0.0	0.0
WIESTA-Immorent Immobilienleasing GmbH	Vienna	100.0	100.0
XENIA-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Zeta Immorent s.r.o.	Prague	100.0	100.0

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
Other			
"SGL" Grundstücksverwaltungs- und Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
BCR Fleet Management SRL	Bucharest	93.6	93.6
BeeOne GmbH	Vienna	100.0	100.0
BGA Czech, s.r.o. v likvidaci	Prague	19.8	19.8
brokerjet Ceské sporitelny, a.s. v likvidaci	Prague	99.0	99.0
BRS Büroreinigungsgesellschaft der Steiermärkischen Bank und Sparkassen Aktiengesellschaft Gesellschaft m.b.H.	Graz	25.0	25.0
CIT ONE SRL	Bucharest	93.6	93.6
Collat-real Korlátolt Felelösségü Társaság	Budapest	70.0	85.0
CP Praha s.r.o., v likvidaci	Prague	19.8	19.8
CPDP 2003 s.r.o.	Prague	99.0	99.0
CPP Lux S. 'ar.l.	Luxembourg	19.8	19.8
CS DO DOMU, A.S. V LIKVIDACI	Prague	99.0	99.0
DIE ERSTE Immobilienvermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
DIE ERSTE Vermietungs GmbH in Liqu.	Vienna	100.0	100.0
Dienstleistungszentrum Leoben GmbH	Graz	51.0	51.0
EBB Beteiligungen GmbH	Vienna	100.0	100.0
EB-Restaurantsbetriebe Ges.m.b.H.	Vienna	100.0	100.0
Energie CS, a.s.	Prague	99.0	99.0
Erste Befektetesi Zrt.	Budapest	70.0	85.0
ERSTE CAMPUS Immobilien GmbH & Co KG	Vienna	100.0	100.0
Erste Campus Mobilien GmbH & Co KG	Vienna	100.0	100.0
Erste Finance (Delaware) LLC	Wilmington	100.0	100.0
Erste Grantika Advisory, a.s.	Brno	99.0	99.0
Erste Group Card Processor d.o.o. (vm.MBU)	Zagreb	100.0	100.0
ERSTE GROUP IMMORENT HRVATSKA drustvo s ogranicenom odgovornoscu za upravljanje	Zagreb	100.0	100.0
ERSTE GROUP IMMORENT LJUBLJANA, financne storitve, d.o.o.	Ljubljana	100.0	100.0
Erste Group IT HR društvo s ogranicenom odgovornošcu za usluge informacijskih tehnologija	Bjelovar	75.4	75.4
Erste Group IT International GmbH	Vienna	99.9	99.9
Erste Group Services GmbH	Vienna	100.0	100.0
Erste Group Shared Services (EGSS), s.r.o.	Hodonin	99.6	99.6
Erste Ingatlan Fejleszto, Hasznosito es Mernoki Kft. (vm. PB Risk Befektetesi es Szolgaltato Kft).	Budapest	70.0	85.0
ERSTE NEKRETNINE d.o.o. za poslovanje nekretninama	Zagreb	69.3	69.3
Erste Reinsurance S.A.	Bertrange	100.0	100.0
Erste Securities Istanbul Menkul Degerler AS	Istanbul	100.0	100.0
Erste Securities Polska S.A.	Warsaw	100.0	100.0
Flottenmanagement GmbH	Vienna	51.0	51.0
FUKO-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	100.0	100.0
Haftungsverbund GmbH	Vienna	63.9	63.9
HBF Eins Holding GmbH	Vienna	100.0	100.0
HBM Immobilien Kamp GmbH	Vienna	100.0	100.0
HP Immobilien Psi GmbH	Vienna	100.0	100.0
HT Immobilien Tau GmbH	Vienna	100.0	100.0
HT Immobilien Theta GmbH	Vienna	100.0	100.0
HV Immobilien Hohenems GmbH	Vienna	100.0	100.0
IBF-Anlagenleasing 95 Gesellschaft m.b.H.	Vienna	100.0	100.0
IGP Industrie und Gewerbepark Wörgl Gesellschaft m.b.H.	Kufstein	0.0	0.0
Immobilienverwertungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
IMMOKOR BUZIN drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	100.0
IMMORENT Alpha Ingatlanbérbeadó és Üzemeltetö Karlátolt Felelösségü Társaság	Budapest	100.0	100.0
IMMORENT Orion, s.r.o.	Prague	100.0	100.0
IMMORENT Österreich GmbH	Vienna	100.0	100.0
Immorent Singidunum d.o.o.	Belgrade	100.0	100.0
IMMORENT Treuhand- und Vermögensverwaltunggesellschaft m.b.H. in Liqu.	Vienna	100.0	100.0
IMMORENT Vega, s.r.o.	Prague	100.0	100.0
IMMORENT-HATHOR Grundverwertungsgesellschaft m.b.H	Vienna	62.5	62.5
Immorent-Mobilienvermietungs-Gesellschaft m.b.H., Liegenschaftsverwaltung Penzing & Co KG	Vienna	100.0	100.0
IMMORENT-STIKÖ Leasinggesellschaft m.b.H.	Vienna	100.0	100.0
Invalidovna centrum a.s.	Prague	100.0	100.0
IPS Fonds Gesellschaft bürgerlichen Rechts	Vienna	64.5	64.1
IR CEE Project Development Holding GmbH	Vienna	100.0	100.0
IR REAL ESTATE SIGMA društvo s ogranicenom odgovornošcu za poslovanje nekretninama u likvidaciji	Zagreb	62.5	62.5
IZBOR NEKRETNINA D.O.O. ZA USLUGE	Zagreb	69.3	69.3
Jura GrundverwertungsgmbH	Graz	25.0	25.0
K1A Kft	Budapest	100.0	100.0
KS - Dienstleistungsgesellschaft m.b.H.	Klagenfurt	25.0	25.0
KS-Immo Italia GmbH	Klagenfurt	25.0	25.0
LANED a.s.	Bratislava	100.0	100.0
LBG 61 LiegenschaftsverwaltungsgmbH	Vienna	100.0	100.0
LEDA-Immorent Grundverwertungsgesellschaft m.b.H.	Vienna	69.9	69.6
LIEGESA Immobilienvermietung GmbH Nfg OG	Graz	25.0	25.0
MCS 14 Projektentwicklung GmbH & Co KG	Vienna	100.0	100.0
OM Objektmanagement GmbH	Vienna	100.0	100.0
Österreichische Sparkassenakademie GmbH	Vienna	45.5	45.6

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
ÖVW Bauträger GmbH	Vienna	100.0	100.0
Procurement Services CZ s.r.o.	Prague	99.5	99.5
Procurement Services GmbH	Vienna	99.9	99.9
Procurement Services HR d.o.o.	Zagreb	99.9	99.9
Procurement Services HU Kft.	Budapest	99.9	99.9
Procurement Services RO srl	Bucharest	99.9	99.9
Procurement Services SK, s.r.o.	Bratislava	99.9	99.9
Project Development Vest s.r.l	Bucharest	100.0	100.0
Proxima IMMORENT s.r.o.	Prague	100.0	100.0
QBC Management und Beteiligungen GmbH	Vienna	65.0	65.0
QBC Management und Beteiligungen GmbH & Co KG	Vienna	65.0	65.0
Realia Consult Magyarország Beruházás Szervezési KFT	Budapest	100.0	100.0
Realitna spolocnost Slovenskej sporitelne, a.s.	Bratislava	100.0	100.0
Real-Service für oberösterreichische Sparkassen Realitätenvermittlungsgesellschaft m.b.H.	Linz	68.9	68.6
Real-Service für steirische Sparkassen, Realitätenvermittlungsgesellschaft m.b.H.	Graz	61.7	61.7
s ASG Sparkassen Abwicklungs- und Servicegesellschaft mbH	Graz	25.0	25.0
S IMMORENT LAMBDA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	100.0	100.0
S IMMORENT ZETA drustvo s ogranicenom odgovornoscu za poslovanje nekretninama	Zagreb	84.9	84.9
s IT Solutions AT Spardat GmbH	Vienna	72.7	72.7
s IT Solutions, s.r.o. v likvidaci	Prague	99.0	99.0
s REAL Immobilienvermittlung GmbH	Vienna	100.0	100.0
s ServiceCenter GmbH (vm. CSSC)	Vienna	58.4	58.4
s Wohnbauträger GmbH	Vienna	91.5	100.0
s Wohnfinanzierung Beratungs GmbH	Vienna	75.4	95.0
sBAU Holding GmbH	Vienna	100.0	100.0
Schauersberg Immobilien Gesellschaft m.b.H.	Graz	25.0	25.0
sDG Dienstleistungsgesellschaft mbH	Linz	58.7	58.7
SILO DREI next LBG 57 Liegenschaftsverwertung GmbH & Co KG	Vienna	100.0	100.0
SILO II LBG 57 – 59 Liegenschaftsverwertung GmbH & Co KG	Vienna	100.0	100.0
S-Invest Beteiligungsgesellschaft m.b.H.	Vienna	70.0	70.0
Sio Ingatlan Invest Kft.	Budapest	70.0	85.0
SK - Immobiliengesellschaft m.b.H.	Krems a. d. Donau	0.0	0.0
SK Immobilien Epsilon GmbH	Vienna	100.0	100.0
Sluzby SLSP, s.r.o.	Bratislava	100.0	100.0
sMS Marktservice für Sparkassen GmbH	Krems	0.0	0.0
Solaris City Kft.	Budapest	100.0	100.0
Solaris Park Kft.	Budapest	100.0	100.0
SPARDAT - Bürohauserrichtungs- und Vermietungsgesellschaft m.b.H.	Vienna	100.0	100.0
Sparfinanz-, Vermögens-, Verwaltungs- und Beratungs- Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
Sparkasse Kufstein Immobilien GmbH & Co KG	Kufstein	0.0	0.0
Sparkasse S d.o.o.	Ljubljana	25.0	25.0
Sparkassen Real Vorarlberg Immobilienvermittlung GmbH	Dornbirn	50.0	50.0
Sparkassen-Haftungs Aktiengesellschaft	Vienna	61.0	61.0
Sparkassen-Real-Service für Kärnten und Osttirol Realitätenvermittlungs-Gesellschaft m.b.H.	Klagenfurt	57.6	57.6
Sparkassen-Real-Service -Tirol Realitätenvermittlungs-Gesellschaft m.b.H.	Innsbruck	68.7	68.7
SPK - Immobilien- und Vermögensverwaltungs GmbH	Graz	25.0	25.0
S-Real, Realitätenvermittlungs- und -verwaltungs Gesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
Steiermärkische Verwaltungssparkasse Immobilien & Co KG	Graz	25.0	25.0
STRAULESTI PROPERTY DEVELOPMENT SRL	Bucharest	100.0	100.0
Suport Colect SRL	Bucharest	93.6	93.6
Toplice Sveti Martin d.d.	Saint Martin	99.2	99.2
VERNOSTNI PROGRAM IBOD, a.s.	Prague	99.0	99.0
Wallgasse 15+17 Projektentwicklungs GmbH	Vienna	100.0	100.0
Wirtschaftspark Siebenhirten Entwicklungs- und Errichtungs GmbH	Vienna	60.0	100.0
ZWETTLER LEASING Gesellschaft m.b.H.	Zwettl	0.0	0.0
Funds			
Bee First Finance S.A. acting for and on behalf of its compartment Edelweiss 2013-1	Luxembourg	0.0	0.0
ESPA BOND DURATION SHIELD	Vienna	0.0	0.0
ESPA BOND EURO-RESERVA	Vienna	0.0	0.0
ESPA CORPORATE BASKET 2020	Vienna	0.0	0.0
ESPA RESERVE CORPORATE	Vienna	0.0	0.0
ESPA RESERVE EURO MÜNDEL	Vienna	0.0	0.0
K 3000	Vienna	0.0	0.0
SPARKASSEN 19	Vienna	0.0	0.0
SPARKASSEN 2	Vienna	0.0	0.0
SPARKASSEN 21	Vienna	0.0	0.0
SPARKASSEN 26	Vienna	0.0	0.0
SPARKASSEN 4	Vienna	0.0	0.0
SPARKASSEN 5	Vienna	0.0	0.0
SPARKASSEN 8	Vienna	0.0	0.0
SPARKASSEN 9	Vienna	0.0	0.0
SPARRENT	Vienna	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
Equity method investments			
Credit institutions			
Prva stavebna sporitelna, a.s.	Salzburg	50.0	50.0
SPAR-FINANZ BANK AG	Bratislava	35.0	35.0
Financial institutions			
Adoria Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Aventin Grundstücksverwaltungs Gesellschaft m.b.H.	Horn	24.5	24.5
CALDO Grundstücksverwertungsgesellschaft m.b.H.	Vienna	31.2	31.2
Epsilon - Grundverwertungsgesellschaft m.b.H.	Vienna	50.0	50.0
Esquilin Grundstücksverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Fondul de Garantare a Creditului Rural IFN SA	Bucharest	31.2	31.2
FORIS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
Global Payments s.r.o.	Praha	48.6	48.6
HOSPES-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	33.3	33.3
Immorent-Hypo-Rent Grundverwertungsgesellschaft m.b.H.	Innsbruck	50.0	50.0
LITUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
MELIKERTES Raiffeisen-Mobilien-Leasing Gesellschaft m.b.H.	Vienna	20.0	20.0
N.Ö. Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	28.4	28.4
Neue Eisenstädter gemeinnützige Bau-, Wohn- und Siedlungsgesellschaft m.b.H.	Eisenstadt	50.0	50.0
NÖ Bürgschaften und Beteiligungen GmbH	Vienna	14.4	14.4
NÖ-KL Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	28.4	28.4
O.Ö. Kommunalgebäude-Leasing Gesellschaft m.b.H.	Linz	40.0	40.0
Quirinal Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	33.3	33.3
Steirische Gemeindegebäude Leasing Gesellschaft m.b.H.	Vienna	50.0	50.0
Steirische Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	50.0	50.0
Steirische Leasing für Gebietskörperschaften Gesellschaft m.b.H.	Vienna	50.0	50.0
Steirische Leasing für öffentliche Bauten Gesellschaft m.b.H.	Vienna	50.0	50.0
STUWO Gemeinnützige Studentenwohnbau Aktiengesellschaft	Vienna	50.3	50.3
SUPRIA Raiffeisen-Immobilien-Leasing Gesellschaft m.b.H.	Vienna	50.0	50.0
SWO Kommunalgebäudeleasing Gesellschaft m.b.H.	Vienna	50.0	50.0
TKL V Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VIII Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TRABITUS Grundstückvermietungs Gesellschaft m.b.H.	Vienna	25.0	25.0
VALET-Grundstückverwaltungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
VBV - Betriebliche Altersvorsorge AG	Vienna	27.1	27.6
Viminal Grundstücksverwaltungs Gesellschaft m.b.H.	Vienna	25.0	25.0
VKL II Grundverwertungsgesellschaft m.b.H.	Dornbirn	33.3	33.3
VKL III Gebäudeleasing-Gesellschaft m.b.H.	Dornbirn	33.3	33.3
VOLUNTAS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	35.0	35.0
Vorarlberger Kommunalgebäudeleasing Gesellschaft m.b.H.	Dornbirn	33.3	33.3
Wohnbauinvestitionsbank GmbH	Vienna	31.9	34.2
Other			
APHRODITE Bauträger Aktiengesellschaft	Vienna	45.7	50.0
Bio-Wärme Scheifling GmbH	Scheifling	49.0	49.0
CII Central Investments Imobiliare SRL	Bucharest	47.0	47.0
EBB-Gamma Holding GmbH	Vienna	49.0	49.0
ERSTE d.o.o.	Zagreb	45.2	45.2
Erste ÖSW Wohnbauträger GmbH	Vienna	46.1	50.3
Garage Eisenstadt Betriebsgesellschaft m.b.H.	Vienna	50.0	50.0
GELUP GmbH	Vienna	33.3	33.3
Gemdat Niederösterreichische Gemeinde-Datenservice Gesellschaft m. b. H.	Korneuburg	0.8	0.8
Hochkönig Bergbahnen GmbH	Mühlbach	45.3	46.0
Immobilien West GmbH	Salzburg	49.3	50.0
KWC Campus Errichtungsgesellschaft m.b.H.	Klagenfurt	12.5	12.5
Slovak Banking Credit Bureau, s.r.o.	Bratislava	33.3	33.3
Other investments			
Credit institutions			
EUROAXIS BANK AD Moskva	Moscow	1.6	1.6
JUBMES BANKA AD BEOGRAD	Belgrade	0.0	0.0
Oesterreichische Kontrollbank Aktiengesellschaft	Vienna	12.9	12.9
Public Joint-stock company commercial Bank "Center-Invest"	Rostov-on-Don	9.1	9.1
Sparkasse Bank Malta Public Limited Company	Sliema	0.0	0.0
Südtiroler Sparkasse AG	Bozen	0.1	0.1
Swedbank AB	Sundbyberg	0.1	0.1
Financial institutions			
"Wohnungseigentum", Tiroler gemeinnützige Wohnbaugesellschaft m.b.H.	Innsbruck	19.1	19.1
"Wohnungseigentümer" Gemeinnützige Wohnbaugesellschaft m.b.H.	Mödling	12.9	12.9
AB Banka, a.s. v likvidaci	Mlada Boleslav	4.4	4.4
ACP Financial Solutions GmbH	Vienna	75.0	75.0
ARWAG Holding-Aktiengesellschaft	Vienna	19.2	19.2
AS-WECO 4 Grundstückverwaltung Gesellschaft m.b.H.	Salzburg	39.9	39.3
C+R Projekt spol. s r.o.	Prague	100.0	100.0
CaixaBank Electronic Money E.D.E., S.L.	Barcelona	10.0	10.0

Company name, registered office		Interest of Erste Group in %	
		Dec 16	Dec 17
Casa de Compensare Bucuresti SA	Bucharest	0.3	0.3
CONATUS Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	24.5	24.5
CULINA Grundstücksvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
Diners Club BH d.o.o. Sarajevo	Sarajevo	69.3	69.3
Diners Club Bulgaria AD	Sofia	3.6	3.6
Diners Club International Belgrade d.o.o. Beograd	Belgrade	0.0	69.3
Diners Club International Montenegro d.o.o. in Podgorica	Podgorica	0.0	69.3
DINESIA a.s.	Prague	99.0	99.0
DRUŠTVO ZA KONSALTING I MENADŽMENT POSLOVE TRŽIŠTE NOVCA A.D. BEOGRAD (SAVSKI VENAC)	Belgrade	0.8	0.8
EBV-Leasing Gesellschaft m.b.H.	Vienna	51.0	51.0
EFH-Beteiligungsgesellschaft m.b.H. in Liqu.	Vienna	50.0	50.0
EUROPEAN INVESTMENT FUND	Luxembourg	0.1	0.1
EWU Wohnbau Unternehmensbeteiligungs-Aktiengesellschaft	St. Pölten	12.8	12.8
Fondul Roman de Garantare a Creditelor pentru Intreprinzatorii privati SA	Bucharest	8.9	8.9
Garantiqa Hitelgarancia Zrt.	Budapest	1.5	1.8
GEBAU-NIOBAU Gemeinnützige Baugesellschaft m.b.H.	Maria Enzersdorf	12.2	12.2
Gemeinnützige Bau- und Siedlungsgenossenschaft "Waldviertel" registrierte Genossenschaft mit beschränkter Haftung	Raabs a. d. Thaya	0.0	0.0
Gemeinnützige Wohn- und Siedlungsgesellschaft Schönere Zukunft, Gesellschaft m.b.H.	Vienna	15.0	15.0
Gemeinnützige Wohnungsgesellschaft "Austria" Aktiengesellschaft	Mödling	12.7	12.7
GWG - Gemeinnützige Wohnungsgesellschaft der Stadt Linz GmbH	Linz	5.0	5.0
GWS Gemeinnützige Alpenländische Gesellschaft für Wohnungsbau und Siedlungswesen m.b.H.	Graz	7.5	7.5
I+R Projekt Fejlesztési Korlátolt Felelősségü Társaság	Budapest	100.0	100.0
K+R Projekt s.r.o.	Prague	100.0	100.0
KERES-Immorent Immobilienleasing GmbH	Vienna	25.0	25.0
Kisvallalkozas-fejlesztö Penzügyi Zrt.	Budapest	0.8	1.0
LBH Liegenschafts- und Beteiligungsholding GmbH	Innsbruck	75.0	75.0
MIGRA Gemeinnützige Wohnungsges.m.b.H.	Vienna	19.8	19.8
O.Ö. Kommunal-Immobilienleasing GmbH	Linz	40.0	40.0
O.Ö. Leasing für Gebietskörperschaften Ges.m.b.H.	Linz	33.3	33.3
O.Ö. Leasing für öffentliche Bauten Gesellschaft m.b.H.	Linz	33.3	33.3
Oberösterreichische Kreditgarantiegesellschaft m.b.H.	Linz	5.7	5.6
Oberösterreichische Unternehmensbeteiligungsgesellschaft m.b.H.	Linz	5.6	5.6
Objekt-Lease Grundstücksverwaltungs-Gesellschaft m.b.H. in Liqu.	Vienna	50.0	50.0
Old Byr Holding ehf.	Reykjavik	1.5	1.5
Österreichische Hotel- und Tourismusbank Gesellschaft m.b.H.	Vienna	18.8	18.8
ÖSW Wohnbauvereinigung Gemeinnützige Gesellschaft m.b.H.	Salzburg	15.4	15.4
ÖWB Gemeinnützige Wohnungsaktiengesellschaft	Salzburg	25.1	25.1
ÖWGES Gemeinnützige Wohnbaugesellschaft m.b.H.	Graz	2.5	2.5
REWE Magyarország Ingatlankezelö és - forgalmazó Korlátolt Felelössegü Társaság	Budapest	100.0	100.0
S IMMOKO Holding GesmbH	Korneuburg	0.0	0.0
S IMMOKO Leasing GesmbH	Korneuburg	0.0	0.0
S Rail Lease s.r.o.	Bratislava	0.0	100.0
S Servis, s.r.o.	Znojmo	99.0	99.0
Salzburger Kreditgarantiegesellschaft m.b.H.	Salzburg	18.0	18.2
Sapor Beteiligungsverwaltungs GmbH	Vienna	100.0	100.0
Seilbahnleasing GmbH	Innsbruck	33.3	33.3
Societatea de Transfer de Fonduri si Decontari TransFonD SA	Bucharest	3.0	3.0
Sparkasse (Holdings) Malta Ltd.	Sliema	0.0	0.0
SPRON ehf.	Reykjavik	4.9	4.9
T+R Projekt Fejelsztési Korlátolt Felelősségü Társaság	Budapest	100.0	100.0
Tiroler Kommunalgebäudeleasing Gesellschaft m.b.H.	Innsbruck	33.3	33.3
Tiroler Landesprojekte Grundverwertungs GmbH	Innsbruck	33.3	33.3
TKL II. Grundverwertungsgesellschaft m.b.H.	Innsbruck	33.3	33.3
TKL VI Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.2	28.2
TKL VII Grundverwertungsgesellschaft m.b.H.	Innsbruck	28.4	28.4
Trziste novca d.d.	Zagreb	8.6	8.6
UNDA Grundstückvermietungs Gesellschaft m.b.H.	St. Pölten	25.0	25.0
WKBG Wiener Kreditbürgschafts- und Beteiligungsbank AG (vorm.Kapital-Beteiligungs Aktiengesellschaft)	Vienna	14.3	14.3
WNI Wiener Neustädter Immobilienleasing Ges.m.b.H.	Wiener Neustadt	0.0	0.0
Other			
"Die Kärntner - Förderungs- und Beteiligungsgesellschaft für die Stadt Friesach Gesellschaft m.b.H.	Friesach	25.0	25.0
"Die Kärntner" - Förderungsgesellschaft für das Gurktal Gesellschaft m.b.H.	Gurk	25.0	25.0
"Die Kärntner"-BTWF-Beteiligungs- und Wirtschaftsförderungsgesellschaft für die Stadt St. Veit/Glan Gesellschaft m.b.H.	St. Veit a. d. Glan	25.0	25.0
"Die Kärntner"-Förderungs- und Beteiligungsgesellschaft für den Bezirk Wolfsberg Gesellschaft m.b.H.	Wolfsberg	25.0	25.0
"Gasthof Löwen" Liegenschaftsverwaltung GmbH & Co., KG	Feldkirch	0.0	0.0
"Photovoltaik-Gemeinschaftsanlage" der Marktgemeinde Wolfurt	Wolfurt	0.0	0.0
"SIMM" Liegenschaftsverwertungsgesellschaft m.b.H.	Graz	25.0	25.0
"S-PREMIUM" Drustvo sa ogranicenom odgovornoscu za posredovanje i zastupanje u osiguranju d.o.o. Sarajevo	Sarajevo	24.5	24.6
"TBG" Thermenzentrum Geinberg Betriebsgesellschaft m.b.H.	Geinberg	1.5	18.7
"THG" Thermenzentrum Geinberg Errichtungs-GmbH	Linz	1.5	1.5
Achenseebahn-Aktiengesellschaft	Jenbach	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
Achtundsechzigste Sachwert Rendite-Fonds Holland GmbH & Co KG	Hamburg	0.0	0.0
AD SPORTSKO POSLOVNI CENTAR MILLENNIUM VRŠAC	Vršac	0.2	0.2
Agrargemeinschaft Kirchschlag	Kirchschlag	0.0	0.0
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU DELOVA ZA MOTORE GARANT, FUTOG - U STECAJU	Futog	6.2	6.2
AKCIONARSKO DRUŠTVO ZA PROIZVODNJU KABLOVA I PROVODNIKA NOVOSADSKA FABRIKA KABELA NOVI SAD	Novi Sad	1.1	1.1
Alpbacher Bergbahn Gesellschaft m.b.H.	Alpbach	0.0	0.0
ALPENDORF BERGBAHNEN AG	St. Johann	0.0	0.0
AREALIS Liegenschaftsmanagement GmbH	Vienna	50.0	50.0
Argentum Immobilienverwertungs Ges.m.b.H.	Linz	39.8	39.2
ÄRZTEHAUS GMUNDEN IMMOBILIEN GmbH	Bad Wimsbach-Neydharting	0.0	0.0
AS LEASING Gesellschaft m.b.H.	Linz	39.8	39.2
AS-WECO Grundstückverwaltung Gesellschaft m.b.H.	Linz	39.8	39.2
Austrian Reporting Services GmbH	Vienna	14.3	14.3
AWEKA-Beteiligungsgesellschaft m.b.H.	Graz	25.0	25.0
aws Gründerfonds Equity Invest GmbH & Co KG	Vienna	49.0	49.0
Bäder - Betriebs - Gesellschaft m.b.H. der Stadt Schladming & Co Kommanditgesellschaft	Schladming	0.0	0.0
BAMCARD d.d. Sarajevo	Sarajevo	0.0	1.1
Bäuerliches Blockheizkraftwerk reg. Gen.m.b.H.	Kautzen	0.0	0.0
BCR Asigurari de Viata Vienna Insurance Group SA	Bucarest	5.1	5.1
Beogradska Berza, Akcionarsko Drustvo Beograd	Belgrade	12.6	12.6
Berg- und Schilift Schwaz-Pill Gesellschaft m.b.H.	Schwaz	0.0	0.0
Bergbahn Aktiengesellschaft Kitzbühel	Kitzbühel	0.0	0.0
Bergbahn Lofer GmbH	Lofer	7.8	7.9
Bergbahnen Oetz Gesellschaft m.b.H.	Oetz	0.0	0.0
Bergbahnen Westendorf Gesellschaft m.b.H.	Westendorf	0.0	0.0
BGM - IMMORENT Aktiengesellschaft & Co KG	Vienna	0.0	0.0
Biogenrohstoffgenossenschaft Kamptal und Umgebung registrierte Genossenschaft mit beschränkter Haftung	Maiersch	0.0	0.0
Biomasse Heizwerk Zürs GmbH	Zürs	0.0	0.0
Biroul de credit SA	Bucharest	18.2	18.2
Biroul de Credit SRL	Chişinău	6.3	6.3
Brauerei Murau eGen	Murau	0.6	0.6
Bregenz Tourismus & Stadtmarketing GmbH	Bregenz	0.0	0.0
Budapesti Értéktozsde Zártköruen Muködo Részvénytársaság	Budapest	1.6	2.0
Burza cennych papierov v Bratislave, a.s.	Bratislava	3.9	3.9
Business Capital for Romania - Opportunity Fund Coöperatief UA	Amsterdam	77.4	77.4
C.I.M. Beteiligungen 1998 GmbH in Liquidation	Vienna	41.1	41.1
C.I.M. Verwaltung und Beteiligungen 1999 GmbH in Liquidation	Vienna	26.7	26.7
Camelot Informatik und Consulting Gesellschaft.m.b.H.	Villach	3.6	3.6
Camping- und Freizeitanlagen Betriebsgesellschaft m.b.H.	St. Pölten	0.0	0.0
CAMPUS 02 Fachhochschule der Wirtschaft GmbH	Graz	3.8	3.8
Cargo-Center-Graz Betriebsgesellschaft m.b.H.	Werndorf	1.6	1.6
Cargo-Center-Graz Betriebsgesellschaft m.b.H. & Co KG	Werndorf	1.6	1.6
Carlyle Europe Partners,L.P. (in Liquidation)	Vale	0.6	0.6
Casa Romana de Compensatie Sibiu	Sibiu	0.4	0.4
CBCB-Czech Banking Credit Bureau, a.s.	Prague	19.8	19.8
CEESEG Aktiengesellschaft	Vienna	11.8	11.8
D.C. Travel d.o.o Beograd	Belgrade	0.0	69.3
Dachstein Tourismus AG	Gosau	0.0	0.0
DC TRAVEL d.o.o. putnicka agancija	Zagreb	69.3	69.3
Die Kärntner Sparkasse - Förderungsgesellschaft für den Bezirk Hermagor Gesellschaft m.b.H.	Hermagor	25.0	25.0
Dolomitencenter Verwaltungs GmbH	Lienz	50.0	50.0
Dolomitengolf Osttirol GmbH	Lavant	0.0	0.0
DONAU Versicherung AG Vienna Insurance Group	Vienna	0.8	0.8
Dornbirner Seilbahn GmbH	Dornbirn	0.0	0.0
EBB-Delta Holding GmbH	Vienna	100.0	100.0
EBB-Zeta Holding GmbH	Vienna	100.0	100.0
EBSPK-Handelsgesellschaft m.b.H.	Vienna	31.1	31.1
EC Energie Center Lipizzanerheimat GmbH	Bärnbach	0.1	0.0
Egg Investment GmbH	Egg	0.0	0.0
E-H Liegenschaftsverwaltungs-GmbH	Etsdorf am Kamp	0.0	0.0
Einlagensicherung AUSTRIA Ges.m.b.H.	Vienna	0.0	1.4
Einlagensicherung der Banken und Bankiers GmbH	Vienna	0.3	0.2
ELAG Immobilien AG	Linz	1.9	1.9
Energie AG Oberösterreich	Linz	0.2	0.2
Erste Asset Management Deutschland GmbH	Vaterstetten	98.8	98.8
Erste Campus Mobilien GmbH	Vienna	100.0	100.0
Erste Corporate Finance, a.s.	Prague	99.0	99.0
ERSTE Immobilien Alpha "WE-Objekte" GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha APS 85 GmbH & Co KG	Vienna	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
ERSTE Immobilien Alpha Brünner Straße 124 Liegenschaftsverwaltung GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Eggenberger Gürtel GmbH & Co KG	Graz	0.0	0.0
ERSTE Immobilien Alpha GmbH	Vienna	74.3	74.3
ERSTE Immobilien Alpha Kerensstraße GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Lastenstraße GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha Monte Laa GmbH & Co. KG	Vienna	0.0	0.0
ERSTE Immobilien Alpha W175 GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Aspernbrückengasse 2 GmbH & Co KG	Vienna	0.1	0.1
ERSTE Immobilien Beta GmbH	Vienna	74.3	74.3
ERSTE Immobilien Beta GS 131 GmbH & Co KG	Vienna	0.0	0.0
ERSTE Immobilien Gamma GmbH	Vienna	74.3	74.3
ERSTE Immobilien Gamma Seepark Campus West GmbH & Co KG	Vienna	0.0	0.0
ERSTE OSIGURANJE VIENNA INSURANCE GROUP D.D.	Zagreb	3.5	3.5
ERSTE Vienna Insurance Group Biztosito Zrt.	Budapest	3.5	4.3
FINAG D.D. INDUSTRIJA GRADJEVNOG MATERIJALA BANKRUPTCY	Garesnica	18.2	18.2
Finanzpartner GmbH	Vienna	50.0	50.0
Freizeitpark Zell GmbH	Zell am Ziller	0.0	0.0
Freizeitzentrum Zillertal GmbH	Fügen	0.0	0.0
Fund of Excellence Förderungs GmbH	Vienna	49.0	49.0
FWG-Fernwärmeversorgung Engelbrechts registrierte Genossenschaft mit beschränkter Haftung	Kautzen	0.0	0.0
FWG-Fernwärmeversorgung Raabs a.d. Thaya registrierte Genossenschaft mit beschränkter Haftung	Raabs a. d. Thaya	0.0	0.0
Gasteiner Bergbahnen Aktiengesellschaft	Bad Hofgastein	13.2	13.4
GELDSERVICE AUSTRIA Logistik für Wertgestionierung und Transportkoordination G.m.b.H.	Vienna	1.0	1.0
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H.	Linz	10.7	10.6
GEMDAT Oberösterreichische Gemeinde-Datenservice Gesellschaft m.b.H. & Co.KG	Linz	11.9	11.8
Gerlitzen - Kanzelbahn - Touristik Gesellschaft m.b.H.&Co KG	Sattendorf	0.0	0.0
Gewerbe- und Dienstleistungspark der Stadtgemeinde Bad Radkersburg Kommanditgesellschaft	Bad Radkersburg	12.5	12.5
Gladiator Aircraft Management Limited	Pieta	100.0	100.0
Gletscherbahnen Kaprun Aktiengesellschaft	Kaprun	0.0	0.0
Golf Ressort Kremstal GmbH	Kematen a. d. Krems	0.0	0.0
Golf Ressort Kremstal GmbH & Co. KG.	Kematen a. d. Krems	0.0	0.0
Golfclub Bludenz-Braz GmbH	Bludenz - Braz	0.0	0.0
Golfclub Brand GmbH	Brand bei Bludenz	0.0	0.0
Golfclub Pfarrkirchen im Mühlviertel GesmbH	Pfarrkirchen	0.2	0.2
Golfplatz Hohe Salve - Brixental Errichtergesellschaft m.b.H. & Co KG	Westendorf	0.0	0.0
Golfresort Haugschlag GmbH & Co KG	Haugschlag	0.0	0.0
Graben 21 Liegenschaftsverwaltung GmbH	Vienna	0.0	100.0
Großarler Bergbahnen Gesellschaft mit beschränkter Haftung & Co. KG.	Großarl	0.5	0.5
GW St. Pölten Integrative Betriebe GmbH	St.Pölten-Hart	0.0	0.0
GXT Vermögensverwaltung GmbH & Co KG	Vienna	0.0	0.0
GZ-Finanz Leasing Gesellschaft m.b.H.	Vienna	100.0	100.0
HAPIMAG AG	Baar	0.0	0.0
Harkin Limited	Dublin	100.0	100.0
Hauser Kaibling Seilbahn- und Liftgesellschaft m.b.H. & Co. KG.	Haus im Ennstal	0.4	0.4
HDL Fiecht GmbH	Vomp	0.0	0.0
Health and Fitness International Holdings N.V.	Willemstad	3.5	3.5
Heiltherme Bad Waltersdorf GmbH	Bad Waltersdorf	4.5	4.5
Heiltherme Bad Waltersdorf GmbH & Co KG	Bad Waltersdorf	4.1	4.1
Hinterstoder-Wurzeralm Bergbahnen Aktiengesellschaft	Hinterstoder	0.4	0.4
HOLDING RUDARSKO METALURŠKO HEMIJSKI KOMBINAT TREPCA AD ZVECAN - U RESTRUKTUIRANJU	Zvecan	0.0	0.0
Hrvatski olimpijski centar Bjelolosica d.o.o. (Kroatisches Olympiazentrum) in bankruptcy	Jesenak	1.2	1.2
Hrvatski registar obveza po kreditima d.o.o. (HROK)	Zagreb	7.3	7.3
HV-Veranstaltungsservice GmbH	St. Lorenzen	100.0	100.0
ILGES - Liegenschaftsverwaltung G.m.b.H.	Rohrbach	40.0	40.0
IMMO Primum GmbH	St. Pölten	0.0	0.0
IMMORENT S-Immobilienmanagement GesmbH	Vienna	100.0	100.0
Immorent-Hackinger Grundverwertungsgesellschaft m.b.H.	Vienna	10.0	10.0
Informativni centar Bjelovar d.o.o.	Bjelovar	1.4	1.4
Investicniweb s.r.o.	Prague	99.0	99.0
JADRAN dionicko drustvo za hotelijerstvo i turizam	Crikvenica	3.4	3.4
JAVNO SKLADIŠTE SLOBODNA CARINSKA ZONA NOVI SAD AD NOVI SAD	Novi Sad	5.2	5.2
JUGOALAT-JAL AD NOVI SAD	Novi Sad	5.0	5.0
Kaiser-Ebersdorfer Straße 8 GmbH & Co	Vienna	0.0	0.0
Kapruner Freizeitzentrum Betriebs GmbH	Kaprun	0.0	0.0
Kapruner Promotion und Lifte GmbH	Kaprun	6.4	6.5
Kitzbüheler Anzeiger Gesellschaft m.b.H.	Kitzbühel	0.0	0.0
Kleinkraftwerke-Betriebsgesellschaft m.b.H.	Vienna	100.0	100.0
Kommanditgesellschaft MS "SANTA LORENA" Offen Reederei GmbH & Co.	Hamburg	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
Kommanditgesellschaft MS "SANTA LUCIANA" Offen Reederei GmbH & Co.	Hamburg	0.0	0.0
Kreco Realitäten Aktiengesellschaft	Vienna	19.7	19.8
'KULSKI ŠTOFOVI' FABRIKA ZA PROIZVODNJU VUNENIH TKANINA I PREDIVA AKCIONARSKO DRUŠTVO IZ KULE - U STECAJU	Kula	6.1	6.1
Kurzentrum "Landsknechte" Bad Schönau Gesellschaft m.b.H.	Bad Schönau	0.0	0.0
ländleticket marketing gmbh	Bregenz	0.0	0.0
Landzeit Restaurant Angath GmbH	St. Valentin	0.0	0.0
Langenloiser Liegenschaftsverwaltungs-Gesellschaft m.b.H.	Langenlois	0.0	0.0
Lantech Innovationszentrum GesmbH	Landeck	0.0	0.0
Latifundium Holding Gesellschaft m.b.H.	Vienna	100.0	100.0
Lebens.Resort & Gesundheitszentrum GmbH	Ottenschlag	0.0	0.0
Lebensquell Bad Zell Gesundheits- und Wellnesszentrum GmbH & Co KG	Bad Zell	0.0	0.0
Lienzer-Bergbahnen-Aktiengesellschaft	Gaimberg	0.0	0.0
Liezener Bezirksnachrichten Gesellschaft m.b.H.	Liezen	1.1	1.1
LOCO 597 Investment GmbH	Egg	0.0	0.0
Luitpoldpark-Hotel Betriebs- und Vermietungsgesellschaft mbH in Liquidation	Füssen	75.0	75.0
LV Holding GmbH	Linz, Donau	35.7	35.4
M Schön Wohnen Immorent GmbH	Vienna	100.0	100.0
Maissauer Amethyst GmbH	Maissau	0.0	0.0
MAJEVICA HOLDING AKCIONARSKO DRUŠTVO, BACKA PALANKA	Bačka Palanka	5.2	0.6
Marktgemeinde Bad Mitterndorf Thermalquelle Erschließungsges. m.b.H.	Bad Mitterndorf	0.6	0.6
MasterCard Incorporated	Wilmington	0.0	0.0
Mayer Immobilien Korlátolt Felelosségu Társaság "végelszámolás alatt"	Budapest	100.0	100.0
Mayer Interplan Korlátolt Felelosségu Társaság "végelszámolás alatt"	Budapest	100.0	100.0
Mayer Property Alpha d.o.o.	Zagreb	100.0	100.0
Mayer Property Beta d.o.o.	Zagreb	100.0	100.0
Mayrhofner Bergbahnen Aktiengesellschaft	Mayrhofen	0.0	0.0
MCG Graz e.gen.	Graz	1.4	1.4
MEG-Liegenschaftsverwaltungsgesellschaft m.b.H. in Liqu.	Vienna	100.0	100.0
Mittersiller Golf- und Freizeitanlagen Gesellschaft m.b.H.	Mittersill	0.0	0.0
MPC Rendite-Fonds Leben plus spezial III GmbH & Co KG	Quickborn	0.0	0.0
MUNDO FM & S GmbH	Vienna	100.0	100.0
Murauer WM Halle Betriebsgesellschaft m.b.H.	Murau	3.1	3.1
Musikkonservatoriumserrichtungs- und vermietungsgesellschaft m.b.H.	St. Pölten	0.0	0.0
Natursee und Freizeitpark Wechselland GmbH	Pinggau	0.4	0.4
Natursee und Freizeitpark Wechselland GmbH & Co KG in Liqu.	Pinggau	0.1	0.1
Neo Investment B.V.	Amsterdam	0.0	0.0
Neubruck Immobilien GmbH	St. Anton	0.0	0.0
Neuhofner Bauträger GmbH	Neuhofen	0.0	0.0
Newstin, a.s.	Prague	17.6	17.6
Oberpinzgauer Fremdenverkehrsförderungs- und Bergbahnen AG	Neukirchen	0.0	0.0
Obertilliacher Bergbahnen-Gesellschaft m.b.H.	Obertilliach	0.0	0.0
Öhlknecht-Hof Errichtungs- und Verwaltungsgesellschaft m.b.H.	Horn	0.0	0.0
ÖKO-Heizkraftwerk GmbH	Pöllau	0.0	0.0
ÖKO-Heizkraftwerk GmbH & Co KG	Pöllau	0.0	0.0
Omniasig Vienna Insurance Group SA	Bucharest	0.1	0.1
OÖ HightechFonds GmbH	Linz	7.8	7.8
Ortswärme Fügen GmbH	Fügen	0.0	0.0
Österreichische Wertpapierdaten Service GmbH	Vienna	32.5	32.7
Osttiroler Wirtschaftspark GesmbH	Lienz	0.0	0.0
PANORAMABAHN KITZBÜHELER-ALPEN GMBH	Hollersbach	0.0	0.0
Planai - Hochwurzen - Bahnen Gesellschaft m.b.H.	Schladming	0.7	0.7
Planung und Errichtung von Kleinkraftwerken Aktiengesellschaft	Vienna	98.9	98.9
Poistovna Slovenskej sporitelne, a.s. Vienna Insurance Group	Bratislava	5.0	5.0
Pojistovna Ceske sporitelny, a.s., Vienna Insurance Group	Pardubice	4.9	4.9
POSLOVNO UDRUŽENJE DAVAOCA LIZINGA "ALCS" BEOGRAD	Belgrade	8.3	8.3
PREDUZECE ZA PRUŽANJE CONSULTING USLUGA BANCOR CONSULTING GROUP DOO NOVI SAD	Novi Sad	2.6	2.6
Prvni certifikacni autorita, a.s.	Prague	23.0	23.0
PSA Payment Services Austria GmbH	Vienna	18.4	18.5
Radio Osttirol GesmbH	Lienz	0.0	0.0
Rätikon-Center Errichtungs- und Betriebsgesellschaft m.b.H.	Bludenz	0.0	0.0
Realitäten und Wohnungsservice Gesellschaft m.b.H.	Köflach	4.8	4.0
Realitni spolecnost Ceske sporitelny, a.s.	Prague	99.0	99.0
REGIONALNA AGENCIJA ZA RAZVOJ MALIH I SREDNJIH PREDUZECA ALMA MONS D.O.O.	Novi Sad	3.3	3.3
RIBA D.D. BANKRUPTCY	Garesnica	17.1	17.1
Riesneralm - Bergbahnen Gesellschaft m.b.H. & Co. KG.	Donnersbach	0.0	0.0
ROMANIAN EQUITY PARTNERS COÖPERATIEF U.A.	Amsterdam	77.4	77.4
RTG Tiefgaragenerrichtungs und -vermietungs GmbH	Graz	25.0	25.0
RVG Czech, s.r.o.	Prague	19.8	19.8

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S - Leasing und Vermögensverwaltung - Gesellschaft m.b.H.	Peuerbach	0.0	0.0
S IMMO AG	Vienna	10.7	0.5
SAINETE GmbH & Co KG	Vienna	0.0	100.0
SALIX-Grundstückserwerbs Ges.m.b.H.	Eisenstadt	50.0	50.0
SALZBURG INNENSTADT, Vereinigung zur Förderung selbständiger Unternehmer der Salzburger Innenstadt, registrierte Genossenschaft mit beschränkter Haftung	Salzburg	2.0	2.0
S-AMC1 DOOEL Skopje	Skopje	24.9	24.9
Schweighofer Gesellschaft m.b.H. & Co KG	Friedersbach	0.0	0.0
S-City Center Wirtschaftsgütervermietungsgesellschaft m.b.H.	Wiener Neustadt	0.0	0.0
S-Commerz Beratungs- und Handelsgesesellschaft m.b.H.	Neunkirchen	0.0	0.0
SEG Sport Event GmbH	Hohenems	0.0	0.0
Seniorenresidenz "Am Steinberg" GmbH	Graz	25.0	25.0
Senningerfeld Projektenwicklungs und Verwertungs GmbH	Bramberg	0.0	0.0
S-Finanzservice Gesellschaft m.b.H.	Baden bei Wien	0.0	0.0
SILO DREI Beteiligungsverwaltungs GmbH & Co KG	Vienna	100.0	100.0
SILO ZWEI Beteiligungsverwaltungs GmbH & Co KG	Vienna	100.0	100.0
Silvrettaseilbahn Aktiengesellschaft	Ischgl	0.0	0.0
SK 1 Properties s.r.o.	Bratislava	0.0	0.0
SK 2 Properties s.r.o.	Bratislava	0.0	0.0
Skilifte Unken - Heutal Gesellschaft m.b.H. & Co, KG	Unken	0.0	0.0
Skilifte Unken Heutal Gesellschaft m.b.H.	Unken	2.2	2.2
SM-Immobiliengesellschaft m.b.H.	Melk	0.0	0.0
SN Immobilienprojekt GmbH	St.Pölten	0.0	0.0
Society for Worldwide Interbank Financial Telecommunication scrl	La Hulpe	0.2	0.2
Sparkasse Amstetten Service- und Verwaltungsgesellschaft m. b. H.	Amstetten	0.0	0.0
Sparkasse Bludenz Beteiligungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Bludenz Immoblienverwaltungsgesellschaft mbH	Bludenz	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH	Imst	0.0	0.0
Sparkasse Imst Immobilienverwaltung GmbH & Co KG	Imst	0.0	0.0
Sparkasse Lambach Versicherungsmakler GmbH	Lambach	0.0	0.0
Sparkasse Nekretnine d.o.o.	Sarajevo	26.5	26.5
Sparkasse Niederösterreich Mitte West Beteiligungsgesellschaft m.b.H.	St. Pölten	0.0	0.0
Sparkasse Niederösterreich Mitte West Stadtentwicklungs GmbH	St. Pölten	0.0	0.0
Sparkasse Reutte Liegenschaftsverwertungs GmbH	Reutte	0.0	0.0
Sparkassen - Betriebsgesellschaft mbH.	Linz	39.7	39.1
Sparkassen Bankbeteiligungs GmbH	Dornbirn	0.0	0.0
Sparkassen Beteiligungs GmbH & Co KG	Vienna	8.2	7.8
Sparkassen Facility Management GmbH	Innsbruck	75.0	75.0
Sparkassen Versicherung AG Vienna Insurance Group	Vienna	5.0	5.0
Sparkassengarage Imst Errichtungs- und Betriebs GmbH	Imst	0.0	0.0
Sparkassengarage Imst Errichtungs- und Betriebs GmbH & Co KG	Imst	0.0	0.0
SPES GmbH & Co. KG	Schlierbach	0.0	0.0
SPKB Beteiligungs- und Verwaltungsgesellschaft m.b.H.	Bregenz	0.0	0.0
Sport- und Freizeitanlagen Gesellschaft m.b.H.	Schwanenstadt	13.1	12.9
SREDISNJE KLIRINSKO DEPOZITARNO DRUSTVO D.D.(CENTRAL DEPOZITORY & CLEARING COMPANY Inc.)	Zagreb	0.1	0.1
Stadtgemeinde Weiz - Wirtschaftsentwicklung KG	Weiz	0.5	0.0
Stadtmarketing-Ternitz Gmbh	Ternitz	0.0	0.0
STECAJNA MASA SARTID-A SMEDEREVO	Smederevo	0.0	0.0
Sternstein Sessellift Gesellschaft m.b.H.	Bad Leonfelden	7.2	7.2
Stoderzinken - Liftgesellschaft m.b.H. & Co. KG.	Gröbming	0.4	0.4
Studiengesellschaft für Zusammenarbeit im Zahlungsverkehr (STUZZA) G.m.b.H.	Vienna	10.7	10.7
SZG-Dienstleistungsgesellschaft m.b.H.	Salzburg	98.7	100.0
Tannheimer Bergbahnen GmbH & Co KG	Tannheim	0.0	0.0
Tauern SPA World Betriebs- Gmbh & Co KG	Kaprun	9.8	11.0
Tauern SPA World Betriebs-GmbH	Kaprun	12.0	12.2
Tauern SPA World Errichtungs- Gmbh & Co KG	Kaprun	9.8	11.0
Tauern SPA World Errichtungs-GmbH	Kaprun	12.0	12.2
TDZ Technologie- und Dienstleistungszentrum Donau-Böhmerwald Bezirk Rohrbach GmbH.	Neufelden	1.0	1.0
TECH21 Bürohaus und Gewerbehof Errichtungs- und Betriebsgesellschaft mbH & Co KG	Vienna	0.1	0.1
Technologie- und Dienstleistungszentrum Ennstal GmbH	Reichraming	0.0	0.0
TECHNOLOGIE- und GRÜNDERPARK ROSENTAL GmbH	Rosental	0.3	0.3
Technologie- und Innovationszentrum Kirchdorf GmbH	Schlierbach	0.0	0.0
Technologiezentrum Deutschlandsberg GmbH	Deutschlandsberg	7.3	7.3
Technologiezentrum Freistadt-Mühlviertel-Errichtungs- und Betriebsgesellschaft m.b.H.	Freistadt	1.6	1.5
Technologiezentrum Inneres Salzkammergut GmbH	Bad Ischl	0.0	0.0
Technologiezentrum Kapfenberg Vermietungs-GmbH	Kapfenberg	6.0	6.0
Technologiezentrum Perg GmbH	Perg	1.5	1.2
Technologiezentrum Salzkammergut GmbH	Gmunden	0.6	0.6
Technologiezentrum Salzkammergut-Bezirk Vöcklabruck GmbH	Attnang-Puchheim	0.0	0.0

Company name, registered office		Interest of Erste Group in % Dec 16	Dec 17
Techno-Z Ried Technologiezentrum GmbH	Ried im Innkreis	0.0	0.0
Tennis-Center Hofkirchen i. M. GmbH	Hofkirchen	7.3	7.3
TGZ Technologie- und Gründerzentrum Schärding GmbH	Schärding	4.0	3.9
Thermalquelle Loipersdorf Gesellschaft m.b.H. & Co KG	Loipersdorf	0.0	0.0
Therme Wien Ges.m.b.H.	Vienna	15.0	15.0
Therme Wien GmbH & Co KG	Vienna	15.0	15.0
Tiefgarage Anger, Gesellschaft m.b.H. & Co. KG.	Lech	0.0	0.0
Tiroler Zugspitzbahn Gesellschaft m.b.H.	Ehrwald	0.0	0.0
TIZ Landl - Grieskirchen GmbH	Grieskirchen	0.0	0.0
TONDACH GLEINSTÄTTEN AG	Gleinstätten	9.6	9.6
Tourismus- u. Freizeitanlagen GmbH	Hinterstoder	0.0	0.0
TPK-18 Sp. z o.o.	Warsaw	100.0	100.0
Transformovany fond penzijniho pripojisteni se statnim prispevkem Ceska sporitelna - penzijni spolecnost, a.s.	Prague	0.0	0.0
TSG EDV-Terminal-Service Ges.m.b.H.	Vienna	0.1	0.1
Unzmarkter Kleinkraftwerk-Aktiengesellschaft	Vienna	99.3	99.3
Valtecia Achizitii S.R.L.	Bucharest	100.0	100.0
Vasudvar Hotel Kft.	Budapest	100.0	100.0
VERMREAL Liegenschaftserwerbs- und -betriebs GmbH	Vienna	25.6	25.6
VISA INC.	Wilmington	0.0	0.0
VMG Versicherungsmakler GmbH	Vienna	5.0	5.0
Waldviertler Leasing s.r.o.	Jindrřichuův Hradec	0.0	0.0
Wärmeversorgungsgenossenschaft Tamsweg registrierte Genossenschaft mit beschränkter Haftung	Tamsweg	0.3	0.3
Wassergenossenschaft Mayrhofen	Mayrhofen	0.0	0.0
WBV Beteiligungs- und Vermögensverwaltungsgesellschaft m.b.H.	Feldkirch	0.0	0.0
WEB Windenergie AG	Pfaffenschlag	0.0	0.0
Weißsee-Gletscherwelt GmbH	Uttendorf	0.0	0.0
WEVA - Veranlagungs- und Beteiligungsgesellschaft m.b.H.	Linz	39.8	39.2
Wien 3420 Aspern Development AG	Vienna	24.5	24.5
WIEPA-Vermögensverwaltungsgesellschaft m.b.H.	Dornbirn	0.0	0.0
Wirtschaftspark Kleinregion Fehring Errichtungs- und Betriebsgesellschaft m.b.H.	Fehring	2.0	2.0
Zagreb Stock Exchange, Inc.	Zagreb	2.3	2.3
Zelina Centar d.o.o.	Saint Helena	100.0	100.0
Zweite Beteiligungsgesellschaft Reefer-Flottenfonds mbH & Co KG	Hamburg	0.0	0.0

Management board

Andreas Treichl mp, Chairman	**Peter Bosek mp, Member**
Petr Brávek mp, Member	**Willibald Cernko mp, Member**
Gernot Mittendorfer mp, Member	**Jozef Síkela mp, Member**

Vienna, 28 February 2018

AUDITOR’S REPORT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

Sparkassen-Prüfungsverband (Prüfungsstelle) and PwC Wirtschaftsprüfung GmbH, Vienna, – hereinafter referred to as “we” – have audited the consolidated financial statements of Erste Group Bank AG, Vienna, and its subsidiaries (the Group), which comprise the Group balance sheet as at December 31, 2017, the Group statement of comprehensive income, the Group statement of changes in total equity and the Group cash flow statement for the fiscal year then ended, and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the additional requirements under Section 59a Austrian Banking Act (BWG) in conjunction with Section 245a Austrian Commercial Code (UGB).

Basis for Opinion

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

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

Key Audit Matters

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

We have structured key audit matters as follows:
- Description
- Audit approach
- Reference to related disclosures

1. Impairment of loans and advances

Description:

Loan loss provisions are made by impairing loans and advances in order to take into account risks of losses with regard to the credit portfolio. As at December 31, 2017, Erste Group Bank AG, Vienna, set up loan loss provisions in the amount of EUR 4.3 billion for a credit volume totaling EUR 182.9 billion (loans and advances to customers and credit institutions as well as contingent liabilities). These loan loss provisions represent management’s best estimate with regard to losses incurred in the credit portfolio at the balance sheet date. Determining the amount of the loan loss provisions involves a high degree of judgment given the assumptions and estimates used.

As defined in the internal guidelines for determining loan loss provisions for the lending business of Erste Group Bank AG, Vienna, the following methods are applied to determine the level of loan loss provisions required:

- The loan loss provision is determined on a case-by-case basis for defaulted loans and advances considered to be significant at customer level.
- The loan loss provision is calculated based on statistical models for those defaulted loans and advances with a comparable risk profile that are not considered to be individually significant.
- For losses having already occurred until the balance sheet date but which the Company failed to identify, loan loss provisions are made on a portfolio basis (impairment on a portfolio basis). These collectively assessed loan loss provisions are calculated using mod-

els based on estimated probabilities of default and loss ratios as well as the period elapsing between the occurrence of the loss event and its identification by the Company.

Specific provisions for impairment losses are calculated using the discounted cash flow method, meaning that the expected cash flows as well as the expected proceeds from the realization of collateral are estimated. These estimates are made on a case-by-case basis (significant loans and advances) or are collectively assessed (rule-based approach for loans and advances that are not significant).

Determining the impairment of loans and advances represents an estimate that significantly depends on the identification of the loss event and on the estimated loan loss provision to be set up. Given the volume of the loan loss provisions and the uncertainties involved regarding the estimates, we determined this matter to be a key audit matter.

Audit approach:

With a view to assess the appropriateness of the loan loss provisions set up, we:

- evaluated the significant lending business processes.
- identified and tested the internal control system, particularly the key controls involved in approving loans, in the ongoing monitoring and the early detection process at the level of Erste Group Bank AG, Vienna, and significant subsidiaries, as well as audited the internal control system for the correct use of the rating models and measurement of collateral.
- tested, by using samples, if loss events were fully identified, and assessed if events occurred that significantly affect the borrower's repayment ability with regard to loans and advances that are not considered as defaulted. We also evaluated the appropriateness of the risk assessment made by Erste Group Bank AG, Vienna, as well as individual loan loss provisions for a sample of loans and advances. With regard to these loans and advances, we critically assessed the cash flows estimated by the Group to be received from interest, redemption and collateral so as to be able to assess the appropriateness of the loan loss provisions stated in the consolidated financial statements.
- referred to the below elements of the internal control system so as to assess the reliability of the statistical models used to calculate the collective loan loss provisions:
  - Comparison of loan loss provision estimates made using statistical models against realized losses (backtesting),
  - Ongoing monitoring and consistent validation of internal rating-based models and parameters,
  - Assessment of the appropriateness of the lending values applied to the collaterals used, and
  - Annual revision of estimates concerning the model parameters based on updated data sets.
- evaluated, involving our credit risk experts in the audit, the reliability of the estimates made with regard to material regulatory models – which are also used for setting up collective loan loss provisions – based on their stability, performance and user acceptance.
- assessed the information brought to the attention of the management in regular intervals at meetings of the Holding Model Committee, the Group Executive Risk Committee as well as comparable local Risk Committees and regularly monitored the decisions of these Committees, reperformed the analyses presented on backtesting and revised estimates, as well as critically assessed the model and parameter validations performed. Both Committees are responsible for taking crucial decisions regarding recalibrations or changes to the models that might be necessary.

Reference to related disclosures:

With regard to the above, we refer to management's disclosures in section 44.4 in the notes.

2. Fair values of securities and derivatives

Description:

The consolidated financial statements of Erste Group Bank AG, Vienna, include financial assets at a carrying amount of EUR 23.7 billion as well as financial liabilities at a carrying amount of EUR 5.5 billion, accounted for at their fair values. Erste Group Bank AG, Vienna, uses observable market prices and valuation models to determine the fair values. The valuation models also play a significant role in determining the hedged risk in hedge accounting.

When measuring the fair values using valuation models, the choice of these models, the input parameters used, as well as the relating discretionary decisions made by management are decisive as regards the calculation of the market values. The measurement of securities and derivatives is subject to significant uncertainties as regards the estimates involved given the complexity of individual measurement models and the assumptions made on the measurement parameters by management.

Taking into account that securities and derivatives measured at fair value represent a large portion of the balance sheet both on the assets side and the liabilities and equity side, and given the existing uncertainties with regard to the estimates involved, we determined this matter to be a key audit matter.

Audit approach:

With a view to evaluate the appropriateness of the fair values of the financial assets and liabilities, we used valuation experts and:

- identified the process used to determine the fair values inquiring with the responsible employees and reviewed the relevant guidelines and documentation, particularly with regard to the valuation process, valuation models and market data.
- tested select key controls with regard to the processes above.
- tested, by using samples, if appropriate valuation methods were selected and consistently applied.
- reconciled the reference rates used for securities against external market data and used this information to assess if the fair value levels chosen comply with the internally defined criteria.
- performed plausibility checks based on a sample for those securities with regard to which the deviation between the external market data available to us and the reference rates used by Erste Group Bank AG, Vienna, exceeded a certain threshold.
- critically assessed for a sample of securities for which no external market data were available the most important model inputs and reperformed the valuation approaches used based on our independent valuation.
- critically assessed for a sample of derivatives measured using a model the most important model inputs and determined the valuation approaches used based on our independent valuation.
- tested, by using samples, if the input data (yield curves) are applied in full and in a correct manner.
- requested and analyzed the collateral reconciliation documents, the records on profits or losses from the termination of derivative contracts, as well as other documents which may help assess the appropriateness of the valuation models applied.

Reference to related disclosures:

With regard to the carrying amounts and the distribution to the fair value levels of the securities and derivatives accounted for at their fair values, we refer to management's disclosure in section 46 in the notes. With regard to the description of the valuation methods as well as the valuation models used, we refer to management's disclosure in section 46 in the notes. With regard to changes in the value of specific parameters, we also refer to section 46 in the notes.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 59a BWG in conjunction with Section 245a UGB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis

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

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the audit committee with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

Comments on the Management Report for the Group

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

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

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

Opinion

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

Statement

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

Other Information

Management is responsible for other information. Other information comprises any information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover other information and we will not express any form of assurance conclusion thereon.

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

Additional Information in Accordance with Article 10 of the EU Regulation

Pursuant to Sections 23 and 24 Austrian Savings Bank Act (SpG), Sparkassen-Prüfungsverband (Prüfungsstelle) is the statutory auditor of Austrian savings banks. In accordance with Section 23 (3) SpG in conjunction with Sections 60 and 61 BWG, the Company is subject to an audit, the consolidated financial statements are also subject to a statutory audit.

At the ordinary general meeting dated May 11, 2016 and pursuant to Section 1 (1) of the Auditing Rules for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the first time. PwC Wirtschaftsprüfung GmbH, Vienna, was engaged by the supervisory board.

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

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

Responsible Engagement Partner

Responsible for the proper performance of the engagement are Mr. Gerhard Margetich, Austrian Certified Public Accountant (Sparkassen-Prüfungsverband), and Ms. Dorotea-E. Rebmann, Austrian Certified Public Accountant (PwC Wirtschaftsprüfung GmbH, Vienna).

Vienna, 28 February 2018

Sparkassen-Prüfungsverband

Prüfungsstelle

(Bank Auditor)

Gerhard Margetich
Austrian Certified Public Accountant

Stephan Lugitsch
Austrian Certified Public Accountant

PwC Wirtschaftsprüfung GmbH

Timo Steinmetz
Austrian Certified Public Accountant

Dorotea-E. Rebmann
Austrian Certified Public Accountant

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

STATEMENT OF ALL MEMBERS OF THE MANAGEMENT BOARD

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

Management board

Andreas Treichl mp, Chairman	**Peter Bosek mp, Member**
Petr Brávek mp, Member	**Willibald Cernko mp, Member**
Gernot Mittendorfer mp, Member	**Jozef Síkela mp, Member**

Vienna, 28 February 2018