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

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, 2018, 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, 2018, 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. Initial application of new accounting standards for Financial Instruments (IFRS 9)

Description

As of January 1, 2018, the new accounting principles for financial assets and financial liabilities (Financial Instruments - IFRS 9) were to be initially applied. IFRS 9 was adopted on 24 July, 2014 by the IASB, and endorsed by the European Union on 22 November, 2016. In the course of the initial application as of January 1, 2018, the recognition and measurement of each financial instrument were to be determined retrospectively at the time of acquisition. Irrespectivly, Erste Group has made use of the option of not restating the comparative period 2017. The consolidated financial statements as at 31 December, 2017, included financial assets of EUR 214 billion and financial liabilities of EUR 198 billion.

As part of the transition from IAS 39 to IFRS 9, these financial instruments had to be analysed in order to recognise and measure them in accordance with IFRS 9.

The implementation of IFRS 9 required considerable interpretation and judgement. Consequently, Erste Group Bank AG engaged in a multi-year implementation project. Notably, the project comprised the interpretation of the new regulations, the development of the policies for implementing the accounting and valuation rules, the uniform implementation of the new regulations throughout the Group, the analysis of historical data as well as the implementation of changes in the accounting systems. This mainly concerned the classification and subsequent measurement of financial assets measured at amortized cost (loss allowances).

With respect to classification, business models were analyzed, the criteria for classifying the financial assets were determined on the basis of historical data, and group-wide procedures were established. This involved management making judgements, assumptions and estimates.

With respect to subsequent measurement, the rules for determining the required level of expected credit losses to be recognized for financial assets measured at amortized cost as well as statistical models for determining these expected credit loss were developed and implemented. These required discretionary judgements, assumptions and estimates to be made by management based on extensive analysis and statistical methods.

Further more, the effects on other line items in the consolidated financial statements and their measurement were evaluated and taken into account accordingly.

Due to its significance for the consolidated financial statements, we identified this area to be a key audit matter.

Audit approach

To assess the appropriateness of the implementation of the new accounting policies for financial instruments, we

- continuously familiarized ourselves with the project during the implementation of IFRS 9 by Erste Group Bank AG;
- examined the implementation of the new accounting principles from the project documents up to the accounting manual;
- assessed the compliance of the accounting manual of Erste Group Bank AG with IFRS 9;
- evaluated the functional specifications and selected technical implementation concepts in terms of their compliance with the accounting manual and, on a sample basis, tested them to having been implemented in the IT systems conformingly;
- assessed the consistent application of the new accounting standards throughout the Group;
- tested, on a sample basis, the new classification of financial instruments to be in accordance with the accounting manual of Erste Group Bank AG;
- tested, on a sample basis, the new measurement of financial instruments to be in accordance with the accounting manual;
- examined the fundamentals of management's judgments, assumptions and estimates, and assessed their reasonableness.
- followed up on the disclosure of the effects of moving to IFRS 9 in the consolidated financial statements in terms of its completeness and transparency.

With regard to the classification of financial assets, we in particular

- evaluated, with a critical mindset, and tested, on a sample basis, the criteria for assessing whether contractual cash flows of financial assets are solely interest and principal payments (SPPI) and the judgements involved;
- critically assessed the appropriateness of the parameters used in the quantitative tests performed in order to assess SPPI criteria and a reviewed the results of the calculations on a sample basis.

With respect to the determination of expected credit losses, we in particular

- evaluated and, on a sample basis, tested the methods applied to identify financial assets with a significant increase in credit risk (SICR) and defaulted financial assets and their consistent application;
- evaluated the internal control system established in order to monitor the development and review of models (Model Governance and Validation) with respect to its ability to ensure methods to be correctly applied in the expected credit loss calculation models;
- read and critically assessed internal audit reports, validation reports and reports on reviews performed by internal specialists;
- evaluated compliance of the parameters which are key in the calculation of expected credit losses (probability of default, loss given default, exposure at default, forward looking information) with the requirements of IFRS 9;
- performed analytical procedures in order to assess the appropriateness of the expected credit losses determined.

In addition, we regularly reported to the Management Board and the Audit Committee on the results of our audit procedures and discussed these in detail.

With respect to further audit procedures carried out regarding the determination of expected credit losses, we refer to the key audit matter "2. Loss allowances for Loans and Advances to Customers (Expected Credit Losses)".

Reference to related disclosures

With regard to the new accounting principles, we refer to management’s disclosures in section B.c) Accounting and Measurement Methods - IFRS 9 Financial Instruments in the Notes. This section also presents the effects of the transition to IFRS 9. For important judgements, assumptions and estimates, please refer to management’s disclosures in section B.d) Significant accounting judgements, assumptions and estimates.

2. Loss allowances for Loans and Advances to Customers (Expected Credit Losses)

Description

Loss allowances represent management's best estimate of the credit losses expected with respect to the loan portfolio at balance sheet date. As at 31 December, 2018, Erste Group Bank AG, Vienna, set up impairment allowances in the amount of EUR 3.3 billion for a volume of loans at amortised cost of EUR 147 billion. Due to the underlying assumptions and estimations, the determination of expected credit losses is inherently subject to substantial judgement applied by management.

Erste Group has implemented internal guidelines and specific processes to identify significant increases in credit risk and loss events. These processes rely significantly on quantitative criteria and involve management judgement.

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

_ For non-defaulted loans loss allowances are generally collectively measured at an amount equal to 12-month expected credit loss. If a significant increase in credit risk has occurred loss allowances are measured as lifetime expected credit losses. For defaulted loans with a comparable risk profile, that are considered not to be individually significant, expected credit losses are collectively assessed as well.
_ The collectively measured loss allowances are calculated considering the probability of default, the impact of forward looking information and parameters that reflect the expected cash flows as well as the expected proceeds from the realization of collateral. The applied parameters are estimated based on statistical models.
_ For defaulted loans considered to be significant at customer level, loss allowances are determined on a case-by-case basis. These loss allowances are calculated considering scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral (where applicable). This process involves significant judgement and management estimates.

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

Due to the uncertainty of estimates in the determination of expected credit losses as well as to the amounts involved, we identified this area to be a key audit matter.

Audit approach

To assess the appropriateness of the expected credit losses, we:

_ updated our understanding of the Expected Credit Loss calculation methodology applied by EGB based on policies, documentation and interviews and re-assessed its compliance with the requirements of IFRS 9;
_ evaluated control activities in credit risk management and lending business processes and tested key controls, notably with respect to the approval of loans, ongoing monitoring and early warning;
_ evaluated control activities and tested key controls in the area of rating models and collateral valuation;
_ evaluated model governance and validation processes and critically reviewed the information brought to the attention of the management as well as, using our credit risk modelling experts, the results of back-testing and model validations;
_ assessed the appropriateness and reasonableness of forward-looking information incorporated in the estimates;
_ analysed sensitivities and impacts of IFRS 9 specific model aspects.;
_ evaluated whether key components of ECL calculation are correctly incorporated in the models by performing walkthroughs and reviewing steering tables;
_ tested, on a sample basis the correct stage allocation according to the relevant policies;
_ tested, on a sample basis, whether loss events were identified according to the applicable policies and assessed whether events occurred that significantly affect the borrower's repayment ability with regard to loans and advances. We also tested, on a sample bases, the adequacy of individual loan loss allowances, assessing the presumed scenarios and the expected cash flows estimated by the Group to be received.

Reference to related disclosures

For further details regarding the process of determining loss allowances as well as regarding the design of the ECL models involved we refer to the management's disclosures in the Notes to the consolidated financial statements in section B. significant accounting policies and section 54. Measuring ECL – explanation of inputs and measurement of the Notes.

3. Own issues designated at fair value

Description

In the course of initial application of IFRS 9 as of January 1, 2018, Erste Group Bank AG made use of the option to designate liabilities as measured at fair value through profit or loss in order to eliminate an accounting mismatch. The portion of gains and losses arising from the change in the fair value of these financial liabilities attributable to changes in the credit risk of the liability is recognized in other comprehensive income, and the remaining amount of change in fair value in profit and loss.

As of 31 December, 2018, liabilities with a book value of approx. EUR 14 billion are included in financial liabilities at fair value through profit or loss in the consolidated financial statements of Erste Group Bank AG. The portion of the change in the fair value of liabilities at fair value through profit or loss which is attributable to the change in own credit risk presented in the statement of changes in equity amounts to EUR 505 million (EUR 748 million as at 1.1.2018).

Erste Group Bank AG mainly uses valuation models to determine the fair values of these securitized liabilities and to determine the portion attributable to its own credit risk, as there is no active market for these securities.

In determining the fair values using valuation models, the selection of these valuation models and the input parameters used, as well as the related discretionary decisions of the management, are of vital importance for determining the market values. The measurement of those liabilities is subject to significant estimation uncertainties due to the complexity of individual valuation models and the assumptions made by management regarding the valuation parameters, including estimates for own credit risk.

We have identified this area as a key audit matter due to the material share of the securitized liabilities measured at fair value in the balance sheet total as well as the new designation as measured at fair value and the existing estimation uncertainties.

Audit approach
In order to assess the appropriateness of the fair values of the financial liabilities and the share of the change in own credit risk in the change of these fair values, we
- interviewed the staff responsible for valuation, designation in the fair value option and monitoring,
- reviewed relevant policies and documentation on the valuation and determination of one's own credit spread, in particular with regard to the valuation process, valuation models and market data,
- gained an understanding of the process of determining fair value and determining one's own credit risk,
- tested selected key controls related to these processes,
- tested, on a sample basis and using our experts, whether appropriate valuation methods have been chosen and applied consistently,
- inspected evidence of the presence of an accounting mismatch
- critically assessed, using our experts, on a sample basis, the valuation rates used as well as significant model inputs and reperformed valuations.

Reference to related disclosures
With respect to the book values and the amounts of the securitized liabilities measured at fair value in the statement of changes in equity, we refer to the explanations given in management's disclosures in section 42 of the notes. With regard to the description of the valuation methods and the valuation models used, we refer to management's disclosures in section 56.

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 17, 2017 and pursuant to Section 1 (1) of the Audit Code for Savings Banks, Annex to Section 24 SpG, PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the second 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, February 28, 2019

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 2019