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, 2019, 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, 2019, 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. 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, 2019, Erste Group Bank AG, Vienna, set up impairment allowances in the amount of EUR 3 billion for a volume of loans at amortised cost of EUR 157 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 Bank AG, Vienna, 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 Erste Group Bank AG, Vienna, 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 basis, 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 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 46. Measuring ECL – explanation of inputs and measurement of the Notes.

2. Goodwill amortization for Slovenská Sporitel'ňa, a.s.

Description

Goodwill of EUR 712 million was reported in the item 'Intangible assets' in the previous year, of which EUR 165 million was attributable to the subsidiary Slovenská Sporitel'ňa, a. s., Bratislava (SLSP).

At the end of 2019, a new law came into force in Slovakia that extended the existing banking tax, which should have expired at the end of 2020, indefinitely and doubled the tax rate. This has an impact on the profitability of the SLSP; management considered this as a trigger to test whether the goodwill is impaired. For this purpose, the 'recoverable amount', i.e. the higher of the fair value less costs to sell, and the value in use for SLSP were determined and compared to the book value of SLSP's net assets.

The recoverable amount was determined using the dividend discount method ('DDM'), which is used for the valuation of financial services companies. At DDM, expected future dividends that are available for the distribution to the shareholders ('flow-to-equity') are capitalized in compliance with the capital requirements. Management's estimates and assumptions are required with regard to both future earnings expectations and discounting parameters.

The determination of future distributions from SLSP was based on the current business plan which the management of SLSP has drawn up and which was approved by the supervisory board of SLSP. The business plan covers the years 2020 to 2024 (5 years) and includes profit and loss accounts, balance sheets and own funds planning. A permanent perpetual annuity was derived for the period not covered by the business plan, assuming a constant growth rate. The flows-to-equity were discounted taking into account the group-wide capital requirements with the group-specific cost of equity for Slovakia.

This resulted in an impairment loss in the amount of total goodwill of EUR 165 million. The goodwill for the SLSP was therefore fully written-off as of December 31, 2019.

Due to the importance for the consolidated financial statements, the existing estimation uncertainties as well as the level of management judgement and assumptions required, we identified this area to be a key audit matter.

Audit approach

In order to assess the appropriateness of the carrying value for goodwill of SLSP, using specialists with the required industry and regional knowledge in the field of business valuation, we

- _ discussed with management the assessment of the reasonableness of key assumptions in the business plan and
  - _ checked the reasonableness of main value drivers (using benchmarking);
  - _ checked planning accuracy for past planning periods by inquiry of persons responsible for variance analyses (comparison budget versus actual figures).
- _ challenged the appropriateness of the cost of equity used to discount the resulting expected dividend by developing our own estimate of the base interest rate, the beta factor, the market risk premium, the country risk premium and the inflation differential.
- _ compared, by using samples, if the target figures and parameters used in the valuation model concur with the approved budget figures as well as with the evaluated parameters of the valuation model. Here, our focus was in particular on the assumptions on perpetual annuity (most notably on the growth rate and retention).
- _ evaluated, on a sample basis, the valuation methods used with regard to their technical and mathematical correctness to determine whether the valuation method applied is in line with the business model of the participating interest as well as with the information available to Erste Group Bank AG, Vienna.

Reference to related disclosures

We refer to management's disclosures in section 11. Other operating result and section 29. Intangible assets in the notes.

3. Ongoing litigation between Banca pentru Locuințe SA, subsidiary, and Romanian Court of Accounts

Description

Banca pentru Locuințe SA, ('BpL') is a fully consolidated subsidiary of Erste Group Bank AG.
BpL is a 'bauspar" bank (building society). The Romanian state pays BpL's clients a state subsidy of 25% applied to their savings, but not more than 250 euro per year, under the condition they are related to housing projects.

The Romanian Court of Accounts ('the CoA') identified several deficiencies following an inspection in 2015. The majority were grounded on differing interpretations of applicable legal provisions in areas where the law was not very specific. In essence, the CoA was of the opinion that BpL paid out the state subsidy to clients not meeting the conditions for receiving this subsidy.

BpL challenged the decision of the COA in court, arguing that they acted in good faith and that its interpretation and application of the law were correct.

In March 2017, the Court of Appeal ruled in favor of BpL for most claims. The impact of the remaining claims was not material as of 31 December 2018. However, on 24 June 2019, the High Court of Justice ruled in favor of CoA for almost all claims. BpL is therefore obliged to compensate the Romanian state for compensation resulting from the improper use of the State subsidies. The total amount of compensation has not yet been determined by the court.

During 2019 the profit and loss of BpL was charged with EUR 153 million in respect of the compensation. As at 31 December 2019, a provision in the amount of EUR 144 million has been created, the difference as compared to total charge in the profit and loss account being the amounts already paid by BpL to state authorities during 2019.

There is considerable legal uncertainty regarding the scope of the obligation to pay compensation. BpL has obtained the opinion of various tax and legal experts. On this basis, BpL has made corresponding assumptions and developed a list of criteria that it then used to cluster the portfolio of clients' contracts based on the individual facts and circumstances of each contract. The amount of compensation for each contract was estimated based on the cluster that it was allocated to using an IT-supported calculation model. The total amount of compensation was determined as the total of these estimates, taking the withholding tax due into account.

This approach requires significant judgments based on the interpretation of the current Romanian tax and trade laws and is therefore subject to considerable uncertainties; that is why we have identified this as a key audit matter.

Audit Approach

To assess the adequacy of the provision for BpL's financial obligation resulting from the Court's ruling, we have:

- _ Obtained and critically assessed the relevant documents related to BpL litigation in cooperation with our legal and tax specialists;
- _ Involved these specialists in checking the appropriateness of the methodology used in determining the compensation;
- _ Tested the relevant IT-controls for the calculation of compensation based on the criteria list;
- _ Recalculated the estimated amount of compensation along with the associated withholding tax for a sample of contracts in order to validate the results of the automatic calculation performed by the system;
- _ Tested the completeness of the contracts included in the assessment of compensation as well as the accuracy of key data used in the calculation;

- Reconciled the provision calculated by the system with the balance sheet and tested the payments already made by vouching them to the bank extracts.

Reference to related disclosure

We refer to management's disclosures in section 11. Other operating result and section 36. Provisions 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 Erste Group Bank AG, Vienna. 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 24, 2018 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 financial year 2019 and, subsequently, was engaged by the supervisory board. At the ordinary general meeting dated May 15, 2019 PwC Wirtschaftsprüfung GmbH, Vienna, was appointed as additional auditor for the financial year 2020. Since 2017 PwC Wirtschaftsprüfung GmbH, Vienna, has constantly been appointed as additional auditor.

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 2020

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	
Bernhard Spalt mp, Chairman	
Ara Abrahamyan mp, Member	Stefan Dörfler mp, Member
Ingo Bleier mp, Member	Alexandra Habeler-Drabek mp, Member
Peter Bosek mp, Member	David O'Mahony mp, Member

Vienna, 28 February 2020