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

1. Net interest income

in EUR million	1-12 18	1-12 19
Financial assets at AC	4,955.4	5,342.1
Financial assets at FVOCI	218.9	201.9
Interest income	5,174.3	5,544.0
Non-trading financial assets at FVPL	67.6	63.4
Financial assets HfT	1,570.4	1,479.7
Hedge accounting derivatives, interest rate risk	-20.5	-59.1
Other assets	105.5	123.0
Negative interest from financial liabilities	49.5	48.2
Other similar income	1,772.6	1,655.2
Interest and other similar income	**6,946.9**	**7,199.2**
Financial liabilities at AC	-1,003.4	-1,054.9
Interest expenses	-1,003.4	-1,054.9
Financial liabilities at FVPL	-421.8	-411.5
Financial liabilities HfT	-976.0	-1,010.2
Hedge accounting derivatives, interest rate risk	151.6	152.2
Other liabilities	-26.5	-52.5
Negative interest from financial assets	-88.8	-75.5
Other similar expenses	-1,361.5	-1,397.5
Interest and other similar expenses	**-2,364.9**	**-2,452.3**
Net interest income	**4,582.0**	**4,746.8**

An amount of EUR 80.9 million (2018: EUR 77.9 million) relating to impaired financial assets is included in interest income. In addition modification gains or losses of financial instruments allocated to Stage 1 in the amount of EUR 4.7 million (2018: EUR 1.8 million) is reported in line item ‘Financial assets at AC’.

Since December 2014, important benchmark interest rates – particularly Euribor – turned negative. As Euro is the functional currency for Erste Group, this development affects the net interest income of the Group. The amounts relate to the interbank business and deposits with central banks only.

2. Net fee and commission income

	1-12 18		1-12 19	
in EUR million	Income	Expenses	Income	Expenses
Securities	201.7	-43.7	206.5	-40.1
Issues	38.4	-11.5	45.5	-8.5
Transfer orders	152.3	-30.4	147.2	-30.3
Other	11.0	-1.8	13.8	-1.4
Clearing and settlement	5.2	-2.3	1.5	-2.4
Asset management	381.6	-57.8	376.0	-41.7
Custody	99.2	-21.4	107.0	-20.0
Fiduciary transactions	3.0	0.0	2.1	0.0
Payment services	1,118.3	-204.4	1,137.4	-187.6
Card business	342.9	-138.5	374.3	-148.4
Other	775.4	-65.9	763.1	-39.1
Customer resources distributed but not managed	199.2	-19.6	241.4	-14.9
Collective investment	13.5	-4.4	11.3	-1.6
Insurance products	142.2	-3.1	186.9	-2.6
Building society brokerage	15.6	-8.5	14.5	-7.5
Foreign exchange transactions	26.7	-1.4	27.4	-1.5
Other	1.1	-2.2	1.4	-1.7
Structured finance	0.4	-0.2	0.0	-0.1
Servicing fees from securitization activities	0.0	0.0	0.0	-0.2
Lending business	261.2	-86.4	197.1	-41.4
Guarantees given, guarantees received	70.7	-3.7	71.4	-4.4
Loan commitments given, loan commitments received	27.1	-0.9	21.7	-0.5
Other lending business	163.4	-81.8	104.1	-36.4
Other	107.2	-32.8	104.3	-24.9
Total fee and commission income and expenses	**2,377.0**	**-468.6**	**2,373.5**	**-373.4**
Net fee and commission income	**1,908.4**		**2,000.1**	

Asset management, custody and fiduciary transactions fees relate to fees earned by Erste Group on trust and other fiduciary activities in which Erste Group holds or invests assets on behalf of its customers and amount to EUR 423.4 million (2018: EUR 404.6 million). Net fee and commission income above include income of EUR 354.6 million (2018: EUR 372.3 million) relating to financial assets and financial liabilities not measured at FVPL. These figures exclude amounts incorporated in determining the effective interest rate on such financial assets and financial liabilities.

3. Dividend income

in EUR million	1-12 18	1-12 19
Financial assets HfT	2.0	3.4
Non-trading financial assets at FVPL	16.1	15.5
Financial assets at FVOCI	11.0	9.0
Dividend income	**29.0**	**27.9**

4. Net trading result

in EUR million	1-12 18	1-12 19
Securities and derivatives trading	-219.0	103.8
Foreign exchange transactions	221.1	208.3
Result from hedge accounting	-3.7	6.2
Net trading result	**-1.7**	**318.3**

Additional information relating to hedge accounting are described in Note 47 Hedge accounting.

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

in EUR million	1-12 18	1-12 19
Result from measurement/sale of financial assets designated at FVPL	-14.6	10.4
Result from measurement/repurchase of financial liabilities designated at FVPL	154.1	-138.8
Result from financial assets and liabilities designated at FVPL	**139.5**	**-128.3**
Result from measurement/sale of financial assets mandatorily at FVPL	56.0	103.8
Gains/losses from financial instruments measured at fair value through profit or loss	**195.4**	**-24.5**

In the reporting period, a loss of EUR 36.1 million (2018: EUR 13.5 million) (before taxes) was transferred from own credit risk reserve to retained earnings due to the repurchase of debt securities (own issues) issued.

6. Rental income from investment properties & other operating leases

in EUR million	1-12 18	1-12 19
Investment properties	88.3	83.8
Other operating leases	101.1	86.3
Rental income from investment properties & other operating leases	**189.4**	**170.1**

7. General administrative expenses

in EUR million	1-12 18	1-12 19
Personnel expenses	**-2,474.2**	**-2,537.1**
Wages and salaries	-1,880.9	-1,924.2
Compulsory social security	-460.3	-471.3
Long-term employee provisions	-28.0	-30.6
Other personnel expenses	-105.0	-111.0
Other administrative expenses	**-1,234.9**	**-1,205.1**
Deposit insurance contribution	-88.6	-104.8
IT expenses	-395.6	-389.1
Expenses for office space	-239.2	-162.8
Office operating expenses	-112.4	-117.9
Advertising/marketing	-175.5	-200.1
Legal and consulting costs	-134.4	-137.0
Sundry administrative expenses	-89.1	-93.5
Depreciation and amortisation	**-472.0**	**-541.0**
Software and other intangible assets	-184.0	-188.8
Owner occupied real estate	-73.4	-139.6
Investment properties	-25.5	-28.8
Customer relationships	-8.9	-8.7
Office furniture and equipment and sundry property and equipment	-180.3	-175.1
General administrative expenses	**-4,181.1**	**-4,283.3**

In the line item 'Depreciation and amortisation', also the depreciation of right-of-use assets according to IFRS 16 is disclosed.

Personnel expenses include expenses of EUR 45.3 million (2018: EUR 43.9 million) for defined contribution plans, of which EUR 1.6 million (2018: EUR 1.3 million) relate to members of the management board.

Employee Share Program 2019 and Erste Mitarbeiterbeteiligung Privatstiftung

Under the Employee Share Program 2019, Erste Group Bank AG has transferred treasury shares free of charge to employees of Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG and the majority-owned Austrian subsidiaries. The shares were granted under the condition that the employees transfer their shares of Erste Group Bank AG under an escrow agreement to the Erste Mitarbeiterbeteiligung Privatstiftung and leave them there for the duration of their employment contract. Erste Group Bank AG limited the grant to one share for each 10 shares transferred by the employee and up to a value of EUR 7,500 per employee.

Erste Group Bank AG awarded a total number of 9,603 shares to employees and incurred expenses in the amount of EUR 0.4 million. The average share price of Erste Group Bank AG was EUR 32.69 during the registration period. In 2019, Erste Mitarbeiterbeteiligung Privatstiftung has received 5,400 additional treasury shares under an escrow agreement from employees of a subsidiary. It was agreed that employees shall not have access to the shares for a certain period. The majority of the shares have been purchased with a payment of EUR 0.2 million made by the subsidiary to settle an obligation under a defined benefit plan. The settlement did not result in a gain or loss.

Employee Share Programme 2018

Under the Employee Share Programme 2018, Erste Group Bank AG has transferred treasury shares to employees of Erste Group Bank AG, Erste Bank der oesterreichischen Sparkassen AG and their majority-owned Austrian subsidiaries. The allocation happened under the condition that employees transfer their shares of Erste Group Bank AG to the Erste Mitarbeiterbeteiligung Privatstiftung and do not request the return of the shares until their employment contracts are terminated. Erste Group Bank AG limited the allocation of treasury shares to 10% of the shares transferred by each employee and up to a value of EUR 4,500 for each employee.

Erste Group Bank AG allocated a total number of 52,909 treasury shares to employees and incurred personnel expenses in the amount of EUR 1.9 million. The share price of Erste Group Bank AG at the beginning of the registration period was EUR 34.99.

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

	1-12 18	1-12 19
Austria	**16,221**	**16,293**
Erste Group Bank AG, Erste Bank Oesterreich and subsidiaries	9,052	9,107
Haftungsverbund savings banks	7,169	7,187
Outside Austria	**31,312**	**31,210**
Česká spořitelna Group	10,148	9,873
Banca Comercială Română Group	7,228	6,951
Slovenská sporiteľňa Group	4,147	4,068
Erste Bank Hungary Group	3,130	3,134
Erste Bank Croatia Group	3,170	3,300
Erste Bank Serbia Group	1,094	1,143
Savings banks subsidiaries	1,192	1,610
Other subsidiaries and foreign branch offices	1,202	1,130
Total	**47,533**	**47,503**

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

in EUR million	1-12 18	1-12 19
Gains from derecognition of financial assets at AC	2.1	5.1
Losses from derecognition of financial assets at AC	-2.1	-4.1
Gains/losses from derecognition of financial assets measured at amortised cost	**0.1**	**0.9**

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

in EUR million	1-12 18	1-12 19
Sale of financial assets at FVOCI	-3.5	6.2
Sale of financial lease receivables	0.0	0.1
Derecognition of financial liabilities at AC	9.1	17.2
Other gains/losses from derecognition of financial instruments not measured at fair value through profit or loss	**5.7**	**23.5**

10. Impairment result from financial instruments

in EUR million	1-12 18	1-12 19
Financial assets at FVOCI	3.5	-4.2
Financial assets at AC	38.6	-112.5
Net allocation to credit loss allowances	-71.5	-227.8
Direct write-offs	-47.9	-35.7
Recoveries recorded directly to the income statement	162.9	154.0
Modification gains or losses	-4.9	-3.0
Finance lease receivables	10.6	7.4
Credit loss allowances for loan commitments and financial guarantees given	6.6	70.0
Impairment result from financial instruments	**59.3**	**-39.2**

11. Other operating result

in EUR million	1-12 18	1-12 19
Other operating expenses	**-258.1**	**-748.3**
Allocation to other provisions	-76.6	-366.0
Levies on banking activities	-112.2	-128.0
Banking tax	-66.8	-80.4
Financial transaction tax	-45.4	-47.6
Other taxes	1.0	-14.0
Recovery and resolution fund contributions	-70.3	-75.3
Impairment of goodwill	0.0	-165.0
Other operating income	**89.9**	**159.1**
Release of other provisions	89.9	159.1
Result from properties/movables/other intangible assets other than goodwill	-78.0	3.3
Result from other operating expenses/income	-58.3	-42.1
Other operating result	**-304.5**	**-628.2**

Operating expenses (including repair and maintenance) for investment properties not held for rental income totalled to EUR 0.4 million (2018: EUR 0.5 million). Operating expenses (including repair and maintenance) for investment properties held for rental income totalled to EUR 14.1 million (2018: EUR 13.0 million). Income from reversal of impairment for assets held for sale in the amount of EUR 0.2 million (2018: Impairment EUR 9.3 million) is recognised under 'Result from other operating expenses/income'.

In line item 'Result from properties/moveables/other intangible assets other than goodwill' extraordinary expenses for the impairment of property plant and equipment, investment properties, intangible assets and foreclosed assets are included.
The main reasons for impairment losses to be recognized are summarized hereinafter:

- 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 own 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 'Recovery and resolution fund contributions' contributions to the national resolution funds in amount of EUR 75.3 million (2018: EUR 70.3 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.

Impairment of Goodwill

In Slovakia, the extension and increase of banking tax due to an amendment of the respective law during the year 2019 leads to higher future expenses. This resulted in a decrease of the budgeted results and consequently the goodwill for Slovenská sporiteľňa was fully impaired in the amount of EUR 165.0 million.

Provision in BCR Banca pentru Locuinte SA. (BPL)

An allocation of provision is disclosed in the line 'Allocation of other provisions' in amount of EUR 153.3 million for losses expected from a decision of the Romanian High Court in relation to the business activities of a Romanian subsidiary BPL. For more details please refer to Note 36 Provisions.

Provision for litigations in Romania

As of 31 December 2019 a relase of provision is shown in the line 'Release of other provisions' for risks related to Romanian consumer protection claims Act amounting to EUR 6.1 million (2018: EUR 23.8 million).

12. 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 18	1-12 19
Current tax expense/income	-415.0	-465.7
current period	-424.4	-461.9
prior period	9.4	-3.8
Deferred tax expense/income	82.5	47.0
current period	78.1	51.4
prior period	4.5	-4.4
Total	**-332.4**	**-418.7**

The following table reconciles the income taxes reported in the income statement to the pre-tax result from continuing operations multiplied by the nominal Austrian tax rate.

in EUR million	1-12 18	1-12 19
Pre-tax result from continuing operations	2,495.0	2,329.7
Income tax expense for the financial year at the Austrian statutory tax rate (25%)	-623.7	-582.4
Impact of different foreign tax rates	139.2	135.9
Impact of tax-exempt earnings of investments and other tax-exempt income	161.9	258.7
Tax increases due to non-deductible expenses, additional business tax and similar elements	-124.8	-139.3
Impact on deferred taxes from topics on Group level	-18.8	-171.4
Tax loss carry-forward non-recoverable at the end of the prior period, reducing the current tax expense for the current period	7.2	6.9
Current period's impairment of DTA recognized in prior periods through P&L	-2.7	-4.0
Current period's recognition/reversal of impairment through P&L of DTA non-recoverable at the end of the prior period	187.6	137.1
Impact of current non-recoverable fiscal losses and temporary differences for the year	-69.3	-28.0
Tax expense/income not attributable to the reporting period	28.2	-29.9
Tax expense/income from changes of the tax rate or the imposition of new taxes	0.0	2.4
Tax expense/income attributable to other effects	-17.4	-4.7
Total	**-332.4**	**-418.7**

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

	1-12 18			1-12 19		
in EUR million	Pre-tax amount	Income tax	Net-of-tax amount	Pre-tax amount	Income tax	Net-of-tax amount
Fair value reserve of equity instruments	36.7	-6.4	30.4	54.1	-11.2	42.9
Fair value reserve of debt instruments	-152.3	33.1	-119.2	44.6	-11.5	33.1
Own credit risk reserve	226.9	2.8	229.7	-17.5	27.3	9.8
Cash flow hedge reserve	-2.9	2.4	-0.5	-54.4	11.8	-42.6
Remeasurement of defined benefit plans	-127.4	-10.4	-137.8	-139.9	17.2	-122.8
Currency reserve	-72.1	0.0	-72.1	-13.5	0.0	-13.5
Other comprehensive income	**-91.0**	**21.4**	**-69.5**	**-126.6**	**33.6**	**-93.0**

Taxes on income within other comprehensive income are influenced by the consideration of impairment effects allocated against OCI-related deferred tax assets. The allocation of such impairment effects is based on Erste Group's methodology of deferred tax assets impairment allocation per P&L and OCI. This approach proportionately reflects how the underlying temporary differences arose from IFRS-based adjustments of the accounting values of the related items.

Besides, the income tax related to the fair value reserve and the cash flow hedge reserve is influenced by differences of tax rates applicable on contrary changes within the fair value reserve.

13. Appropriation of profit

In the reporting period, Erste Group Bank AG posted a post-tax profit of EUR 1,327.1 million under the Austrian accounting regulations, which increased its distributable capital accordingly (2018: EUR 937.0 million). The equity increased accordingly.

A dividend distribution amounting to EUR 1.50 per share will be proposed at the forthcoming annual general meeting of Erste Group Bank AG (2018: EUR 1.40 per share).

14. Cash and cash balances

in EUR million	Dec 18	Dec 19
Cash on hand	5,688	6,032
Cash balances at central banks	10,853	3,466
Other demand deposits at credit institutions	1,009	1,195
Cash and cash balances	**17,549**	**10,693**

A part of 'Cash balances at central banks' represents the mandatory minimum reserve requirement deposits which amounted to EUR 2,975.6 million (2018: EUR 3,255.7 million) at the reporting date. The mandatory minimum reserve requirement is calculated from defined balance sheet items and has to be fulfilled in average through an extended period of time. Therefore, the mandatory minimum reserve requirement deposits are not subject to any restraints.

15. Derivatives held for trading

	Dec 18			Dec 19		
in EUR million	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the trading book	**179,098**	**3,011**	**2,871**	**189,747**	**3,068**	**3,305**
Interest rate	114,275	2,544	2,453	122,129	2,609	2,728
Equity	330	8	10	311	11	3
Foreign exchange	63,941	432	405	66,888	423	571
Credit	341	7	3	226	3	3
Commodity	11	0	0	10	0	0
Other	199	21	0	183	23	0
Derivatives held in the banking book	**28,035**	**1,191**	**331**	**28,048**	**1,353**	**341**
Interest rate	16,597	1,077	152	16,891	1,254	226
Equity	5,501	77	76	5,823	52	36
Foreign exchange	5,335	32	100	4,812	41	78
Credit	382	5	3	348	6	1
Commodity	0	0	0	0	0	0
Other	220	1	0	174	1	0
Total gross amounts	**207,133**	**4,202**	**3,202**	**217,794**	**4,422**	**3,646**
Offset		-1,165	-1,202		-1,616	-1,640
Total		**3,037**	**2,000**		**2,805**	**2,005**

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. For more details on balance sheet offsetting please refer to Note 45 Offsetting of financial instruments.

16. Other financial assets held for trading

in EUR million	Dec 18	Dec 19
Equity instruments	68	65
Debt securities	2,479	2,889
General governments	1,698	1,918
Credit institutions	540	803
Other financial corporations	68	57
Non-financial corporations	172	111
Other financial assets held for trading	**2,547**	**2,954**

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

	Dec 18		Dec 19	
in EUR million	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	0	372	0	390
Debt securities	672	1,979	664	1,671
General governments	188	565	77	258
Credit institutions	424	296	563	160
Other financial corporations	60	973	25	1,062
Non-financial corporations	0	146	0	191
Loans and advances to customers	0	287	0	483
General governments	0	8	0	2
Other financial corporations	0	15	0	1
Non-financial corporations	0	102	0	137
Households	0	161	0	344
Financial assets designated and mandatorily at FVPL	672	2,638	664	2,544
Non-trading financial assets at fair value through profit or loss		**3,310**		**3,208**

Erste Group has designated debt securities at FVPL. The maximum exposure to credit risk on these securities is its fair value. At the reporting date the change in fair value that is attributable to changes in credit risk amounts to EUR 1.4 million (2018: EUR -3.0 million) cumulatively and EUR 3.4 million (2018: EUR -2.4 million) for the reporting period.

18. Financial assets at fair value through other comprehensive income

Equity instruments

The carrying amount of Erste Group's equity instruments at FVOCI as at 31 December 2019 amounts to EUR 210.1 million (2018: EUR 238.9 million), the cumulative fair value change for equity instruments FVOCI before taxes recognized in other comprehensive income amounted to EUR 166.1 million (2018: EUR 172.2 million). During the year 2019, the sales of such instruments amounted to EUR 43.6 million (2018: EUR 52.0 million) and were triggered by strategic business decisions. The cumulative gain (net of tax) that was transferred from accumulated other comprehensive income into retained earnings upon such sales amounted to EUR 48.9 million (2018: EUR 42.1 million).

Debt instruments

Gross carrying amounts and credit loss allowances per impairment buckets

	Gross carrying amount				Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Accumulated fair value changes	Fair value
Dec 19										
Central banks	0	0	0	0	0	0	0	0	0	0
General governments	6,232	8	0	6,240	-3	0	0	-3	186	6,426
Credit institutions	1,073	27	0	1,099	-1	-1	0	-2	17	1,116
Other financial corporations	135	46	0	181	0	-1	0	-2	7	188
Non-financial corporations	933	137	0	1,070	-2	-5	0	-7	37	1,107
Total	**8,373**	**217**	**0**	**8,590**	**-6**	**-8**	**0**	**-14**	**247**	**8,836**

	Gross carrying amount				Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Accumulated fair value changes	Fair value
Dec 18										
Central banks	5	0	0	5	0	0	0	0	0	5
General governments	6,685	8	0	6,693	-3	0	0	-3	164	6,857
Credit institutions	894	17	0	911	-3	0	0	-3	9	921
Other financial corporations	175	6	0	182	0	0	0	-1	4	186
Non-financial corporations	965	72	0	1,037	-2	-2	0	-4	28	1,065
Total	**8,724**	**104**	**0**	**8,827**	**-8**	**-2**	**0**	**-10**	**206**	**9,033**

As defined in IFRS 9, the gross carrying amount of debt instruments at FVOCI equals the amortised cost before deducting any credit loss allowances. There are no purchased or originated credit-impaired (POCI) debt securities at FVOCI as of 31 December 2019.

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Dec 19**
Stage 1	-8	-3	2	0	3	0	-6
Stage 2	-2	-1	0	-5	0	0	-8
Stage 3	0	0	0	0	0	0	0
Total	**-10**	**-4**	**2**	**-5**	**3**	**0**	**-14**

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 18						**Dec 18**
Stage 1	-12	-2	1	0	4	0	-8
Stage 2	-1	0	0	-1	0	0	-2
Stage 3	0	0	0	0	0	0	0
Total	**-13**	**-2**	**1**	**-1**	**4**	**0**	**-10**

In column 'Additions' increases of CLA due to the initial recognition of debt securities at FVOCI during the current reporting period are disclosed. Releases of CLA following the derecognition of the related debt securities at FVOCI are reported in column 'Derecognitions'. In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related FVOCI debt securities from Stage 1 (at 1 January 2019 or initial recognition date) to Stages 2 or 3 at 31 December 2019 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’. Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’.

One significant driver of the above presented CLA movements for the year has been the transfer of the related instruments across different stages. The year-end GCAs of FVOCI debt securities that were assigned at 31 December 2019 to a different stage compared to 1 January 2019 (or to the initial recognition date, if purchased during the year) are summarized in the table below:

Transfers between Stage 1 and Stage 2

in EUR million	Dec 18	Dec 19
To Stage 2 from Stage 1	85	98
To Stage 1 from Stage 2	67	7

19. Securities

	Dec 18					Dec 19				
			Financial assets					Financial assets		
in EUR million	At AC	Trading assets	Mandatorily at FVPL	Designated at FVPL	At FVOCI	At AC	Trading assets	Mandatorily at FVPL	Designated at FVPL	At FVOCI
Bonds and other interest-bearing securities	**26,050**	**2,479**	**1,979**	**672**	**9,033**	**26,764**	**2,889**	**1,671**	**664**	**8,836**
Listed	24,534	1,788	1,286	599	7,577	25,663	2,114	844	620	7,123
Unlisted	1,516	691	694	73	1,456	1,101	774	826	44	1,714
Equity-related securities	**0**	**68**	**372**	**0**	**239**	**0**	**65**	**390**	**0**	**210**
Listed	0	64	121	0	96	0	62	142	0	120
Unlisted	0	4	252	0	142	0	4	248	0	90
Total	**26,050**	**2,547**	**2,352**	**672**	**9,272**	**26,764**	**2,954**	**2,061**	**664**	**9,047**

Investment funds units are reported within bonds and other interest bearing securities.

20. Financial assets at amortised cost

Debt securities at amortised cost

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Dec 19									
Central banks	53	0	0	53	-1	0	0	-1	52
General governments	22,483	29	0	22,512	-4	0	0	-4	22,508
Credit institutions	3,287	1	0	3,288	-2	0	0	-2	3,286
Other financial corporations	136	7	0	143	0	-1	0	-1	142
Non-financial corporations	760	17	3	780	-1	-2	-2	-4	776
Total	**26,718**	**53**	**4**	**26,774**	**-7**	**-2**	**-2**	**-11**	**26,764**

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Dec 18									
Central banks	12	0	0	12	0	0	0	0	12
General governments	22,373	26	1	22,400	-4	0	0	-4	22,396
Credit institutions	2,752	1	0	2,752	-1	0	0	-1	2,751
Other financial corporations	144	1	0	145	0	0	0	0	145
Non-financial corporations	739	7	3	749	-1	0	-2	-3	746
Total	**26,020**	**34**	**4**	**26,059**	**-6**	**0**	**-2**	**-8**	**26,050**

There are no purchased or originated credit-impaired (POCI) debt securities at AC as of 31 December 2019.

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Dec 19**
Stage 1	-6	-3	0	0	1	0	-7
Stage 2	0	0	0	-1	-1	0	-2
Stage 3	-2	0	0	0	1	0	-2
Total	**-8**	**-3**	**0**	**-1**	**1**	**0**	**-11**

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 18						**Dec 18**
Stage 1	-6	-1	0	0	1	0	-6
Stage 2	-3	-2	2	0	3	0	0
Stage 3	0	0	0	0	-2	0	-2
Total	**-9**	**-3**	**3**	**0**	**1**	**0**	**-8**

In column 'Additions' increases of CLA due to the initial recognition of debt securities at AC during the current reporting period are disclosed. Releases of CLA following the derecognition of the related debt securities at AC are reported in column 'Derecognitions'.

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related AC debt securities from Stage 1 (at 1 January 2019 or initial recognition date) to Stages 2 or 3 at 31 December 2019 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'.

The year-end total GCAs of AC debt securities that were initially recognized (purchased) during the year 2019 and not fully derecognized by 31 December 2019 amounts to EUR 4,133.8 million (2018: EUR 4,142.0 million.) The GCA of AC debt securities that were held at 1 January 2019 and derecognized during the year 2019 amounts to EUR 3,257.4 million (2018: EUR 1,465.7 million).

Loans and advances to banks at amortised cost

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Dec 19									
Central banks	16,109	0	0	16,109	0	0	0	0	16,108
Credit institutions	6,936	17	2	6,955	-6	0	-2	-9	6,946
Total	**23,045**	**17**	**2**	**23,063**	**-7**	**0**	**-2**	**-9**	**23,055**

in EUR million	Gross carrying amount				Credit loss allowances				Carrying amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Dec 18									
Central banks	14,939	0	0	14,939	0	0	0	0	14,938
Credit institutions	3,956	215	2	4,172	-2	-3	-2	-8	4,165
Total	**18,894**	**215**	**2**	**19,111**	**-3**	**-3**	**-2**	**-8**	**19,103**

There are no purchased or originated credit-impaired (POCI) AC loans and advances to banks at 31 December 2019.

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						**Dec 19**
Stage 1	-3	-29	27	0	-1	0	-7
Stage 2	-3	0	0	0	3	0	0
Stage3	-2	0	0	0	0	0	-2
Total	**-8**	**-30**	**27**	**0**	**2**	**0**	**-9**

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 18						**Dec 18**
Stage 1	-5	-21	18	1	4	1	-3
Stage 2	0	-2	2	-2	-1	0	-3
Stage 3	-2	0	0	0	-1	0	-2
Total	**-8**	**-24**	**21**	**-1**	**3**	**1**	**-9**

In column 'Additions' increases of CLA due to the initial recognition of loans and advances to banks at AC during the current reporting period are disclosed. Releases of CLA following the derecognition of the related loans and advances to banks at AC are reported in column 'Derecognitions'.

In column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related AC loans and advances to banks from Stage 1 at 1 January 2019 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2019 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable (incremental year-on-year releases) and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column 'Other changes in credit risk (net)'.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different impairment stages. The year-end GCAs of AC loans and advances to banks that were assigned at 31 December 2019 to a different stage compared to 1 January 2019 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between Stage 1 and Stage 2

in EUR million	Dec 18	Dec 19
To Stage 2 from Stage 1	198	7
To Stage 1 from Stage 2	3	0

The year-end total GCA of AC loans and advances to banks that were initially recognized during the year 2019 and not fully de-recognized by 31 December 2019 amounts to EUR 21,878.5 million (2018: EUR 15,754.5 million). The GCA of AC loans and advances to banks that were held as of 1 January 2019 and fully de-recognized during the year 2019 amounts to EUR 17,928.4 million (2018: 7,143.5 million).

Loans and advances to customers at amortised cost

Gross carrying amounts and credit loss allowances per impairment buckets

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 19											
General governments	6,449	325	3	4	6,781	-17	-3	-2	-1	-23	6,757
Other financial corporations	3,342	244	12	13	3,612	-5	-9	-8	0	-22	3,590
Non-financial corporations	60,331	5,618	1,584	242	67,774	-176	-243	-965	-96	-1,479	66,296
Households	70,577	6,538	1,886	145	79,146	-122	-251	-1,029	-43	-1,445	77,701
Total	**140,699**	**12,725**	**3,484**	**404**	**157,312**	**-320**	**-506**	**-2,003**	**-139**	**-2,969**	**154,344**

in EUR million	Gross carrying amount					Credit loss allowances					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	
Dec 18											
General governments	6,729	324	2	3	7,059	-16	-10	-2	0	-28	7,030
Other financial corporations	3,166	127	47	15	3,355	-8	-5	-40	-3	-56	3,298
Non-financial corporations	56,377	3,616	1,869	345	62,207	-169	-191	-1,133	-97	-1,590	60,617
Households	66,271	6,151	2,031	171	74,623	-128	-249	-1,166	-73	-1,615	73,008
Total	**132,544**	**10,217**	**3,949**	**533**	**147,243**	**-321**	**-455**	**-2,341**	**-173**	**-3,290**	**143,953**

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								Dec 19
Stage 1	**-321**	**-255**	**75**	**280**	**-98**	**0**	**0**	**-1**	**-320**
General governments	-16	-4	1	1	1	0	0	0	-17
Other financial corporations	-8	-8	7	2	2	0	0	0	-5
Non-financial corporations	-169	-160	50	104	-1	0	0	0	-176
Households	-128	-83	17	174	-101	0	0	-1	-122
Stage 2	**-455**	**-34**	**79**	**-486**	**382**	**0**	**3**	**4**	**-506**
General governments	-10	0	0	-1	8	0	0	0	-3
Other financial corporations	-5	-1	1	-7	1	0	0	3	-9
Non-financial corporations	-191	-15	44	-185	107	-1	0	-1	-243
Households	-249	-17	35	-293	266	1	3	3	-251
Stage 3	**-2,341**	**-131**	**362**	**-111**	**-272**	**0**	**491**	**-3**	**-2,003**
General governments	-2	0	0	0	0	0	0	0	-2
Other financial corporations	-40	-9	4	-1	0	0	9	28	-8
Non-financial corporations	-1,133	-78	135	-42	-117	0	300	-30	-965
Households	-1,166	-44	223	-68	-155	0	182	-1	-1,029
POCI	**-173**	**0**	**28**	**0**	**-10**	**-4**	**18**	**1**	**-139**
General governments	0	0	0	0	1	0	0	-2	-1
Other financial corporations	-3	0	0	0	3	0	0	0	0
Non-financial corporations	-97	0	17	0	-25	-3	11	1	-96
Households	-73	0	11	0	11	-1	7	1	-43
Total	**-3,290**	**-419**	**545**	**-316**	**2**	**-3**	**512**	**1**	**-2,969**

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 18								Dec 18
Stage 1	**-345**	**-205**	**94**	**329**	**-196**	**2**	**1**	**-1**	**-321**
General governments	-16	-10	9	2	-1	0	0	0	-16
Other financial corporations	-17	-10	12	4	2	0	0	0	-8
Non-financial corporations	-181	-124	59	160	-84	1	0	1	-169
Households	-131	-61	14	163	-112	1	1	-2	-128
Stage 2	**-496**	**-95**	**77**	**-298**	**336**	**6**	**9**	**6**	**-455**
General governments	-26	0	8	-2	10	0	0	0	-10
Other financial corporations	-3	-12	7	-5	7	0	1	1	-5
Non-financial corporations	-217	-53	42	-117	142	4	0	8	-191
Households	-249	-29	20	-175	177	2	8	-3	-249
Stage 3	**-2,825**	**-89**	**260**	**-99**	**-154**	**10**	**539**	**16**	**-2,341**
General governments	-1	0	0	0	-1	0	0	0	-2
Other financial corporations	-89	0	19	-9	12	0	27	1	-40
Non-financial corporations	-1,449	-59	148	-39	-59	10	302	13	-1,133
Households	-1,286	-30	94	-51	-105	0	210	2	-1,166
POCI	**-210**	**0**	**39**	**0**	**-22**	**0**	**23**	**-4**	**-173**
General governments	0	0	0	0	0	0	0	0	0
Other financial corporations	-7	0	0	0	4	0	0	0	-3
Non-financial corporations	-108	0	31	0	-30	0	14	-4	-97
Households	-94	0	8	0	3	0	9	1	-73
Total	**-3,876**	**-388**	**471**	**-69**	**-35**	**17**	**573**	**18**	**-3,290**

In column ‘Additions’ increases of CLA due to the initial recognition of loans and advances to customers at AC during the current reporting period are disclosed. CLAs recognized against drawings from non-revolving loan commitments are deemed as additions for the purpose of presenting current period’s movement in CLA. Therefore, additions in Stages 2 and 3 reflect transfers from Stage 1 having occurred between commitment and drawing dates of related credit facilities. Releases of CLA following the derecognition of the related loans and advances to customers at AC are reported in column ‘Derecognitions’.

In column ‘Transfers between stages’ CLA net changes due to changes in credit risk that triggered re-assignments of the related AC loans and advances to customers from Stage 1 at 1 January 2019 (or initial recognition date, if later) to Stages 2 or 3 at 31 December 2019 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse (incremental year-on-year allocations) and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable (incremental year-on-year releases) and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’. This column also captures the passage-of-time adverse effect (‘unwinding correction’) over the lifetime expected cash shortfalls of AC loans and advances to customers that were assigned to Stage 3 for any period throughout the year, as well as of any POCI loans and advances to customers. This adverse effect amounted to EUR 71.1 million (2018: EUR 87.7 million) cumulatively for the year 2019, which also reflects the unrecognized interest income out of the related AC loans and advances to customers throughout the year.

The column 'Insignificant modifications (net)' reflects the effect on CLA arising from contractual modifications of loans and advances to customers at AC which do not trigger their full derecognition. The use of CLA triggered by full or partial write-offs of AC loans and advances to customers is reported in column 'Write-offs'.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different impairment stages. The year-end GCA of AC loans and advances to customers that were assigned at 31 December 2019 to a different stage compared to 1 January 2019 (or to the initial recognition date, if originated during the year) are summarized below:

Dec 19	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
in EUR million	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	120	69	0	0	1	0	0	0
Other financial corporations	157	107	0	1	2	0	0	14
Non-financial corporations	3,925	933	130	37	204	14	10	9
Households	2,928	1,464	269	92	303	51	2	11
Total	**7,131**	**2,572**	**399**	**130**	**509**	**64**	**12**	**34**

Dec 18	Transfers between Stage 1 and Stage 2		Transfers between Stage 2 and Stage 3		Transfers between Stage 1 and Stage 3		POCI	
in EUR million	To Stage 2 from Stage 1	To Stage 1 from Stage 2	To Stage 3 from Stage 2	To Stage 2 from Stage 3	To Stage 3 from Stage 1	To Stage 1 from Stage 3	To Defaulted from Non-Defaulted	To Non-Defaulted from Defaulted
General governments	173	91	1	0	0	0	0	0
Other financial corporations	85	55	2	0	1	0	0	0
Non-financial corporations	1,855	1,467	133	102	227	11	83	16
Households	2,432	1,470	215	110	254	51	6	15
Total	**4,546**	**3,084**	**351**	**213**	**482**	**63**	**88**	**30**

The year-end total GCA of the AC loans and advances to customers that were initially recognized during the reporting period and not fully de-recognized by 31 December 2019 amounts to EUR 38,982.9 million (2018: EUR 34,479.9 million). The GCA of the AC loans and advances to customers that were held at 1 January 2019 and fully de-recognized during the reporting period amounts to EUR 16,425.7 million (2018: EUR 20,500.0 million).

The undiscounted amount of the lifetime expected credit losses considered in the initial measurement of the AC loans and advances to customers initially recognized and identified as POCI during the year 2019 amounted to EUR 32.4 million (2018: EUR 44.4 million).

21. Finance lease receivables

Gross carrying amounts and credit loss allowances per impairment buckets

	Gross carrying amount					Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Dec 19											
General governments	363	0	16	0	379	-2	0	0	0	-2	377
Credit institutions	1	0	0	0	1	0	0	0	0	0	1
Other financial corporations	71	0	0	0	71	0	0	0	0	0	71
Non-financial corporations	2,585	96	253	0	2,934	-10	-4	-106	0	-121	2,813
Households	747	21	15	0	783	-3	-1	-7	0	-11	772
Total	**3,768**	**117**	**284**	**0**	**4,169**	**-15**	**-5**	**-114**	**0**	**-134**	**4,034**

	Gross carrying amount					Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Dec 18											
General governments	387	1	19	0	407	-2	0	-1	0	-3	405
Credit institutions	2	0	0	0	2	0	0	0	0	0	2
Other financial corporations	62	0	0	0	63	0	0	0	0	0	62
Non-financial corporations	2,415	73	253	0	2,742	-12	-2	-124	0	-139	2,604
Households	669	19	12	0	700	-3	-1	-6	0	-10	690
Total	**3,535**	**94**	**284**	**0**	**3,914**	**-18**	**-3**	**-130**	**0**	**-151**	**3,763**

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								Dec 19
Stage 1	-18	-6	0	4	5	0	0	0	-15
Stage 2	-3	0	0	-4	1	0	0	0	-5
Stage3	-130	0	3	-5	5	0	15	-1	-114
POCI	0	0	0	0	0	0	0	0	0
Total	**-151**	**-6**	**3**	**-5**	**11**	**0**	**15**	**-1**	**-134**

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 18								Dec 18
Stage 1	-18	-6	1	9	-8	0	0	5	-18
Stage 2	-4	-1	0	-2	3	0	0	1	-3
Stage3	-149	-1	1	-4	13	0	10	-1	-130
POCI	-1	0	0	0	1	0	0	0	0
Total	**-172**	**-7**	**2**	**3**	**9**	**0**	**10**	**4**	**-151**

In column ‘Additions’ increases of CLA due to the initial recognition of finance lease receivables during the current reporting period are disclosed. Releases of CLA following the derecognition of the related finance lease receivables are reported in column ‘Derecognitions’.

In column ‘Transfers between stages’ CLA net changes due to changes in credit risk that triggered re-assignments of the related finance lease receivables from Stage 1 as of 1 January 2019 or initial recognition date to Stages 2 or 3 as of 31 December 2019 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or 3 on the related CLAs are adverse and presented in lines attributable to Stages 2 or 3. The effects of transfers from Stages 2 or 3 to Stage 1 on the related CLAs are favourable and presented in line ‘Stage 1’. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column ‘Other changes in credit risk (net)’.

Any other changes in credit risk which do not trigger a transfer between Stage 1 and Stage 2 or 3 or vice-versa are disclosed in column ‘Other changes in credit risk (net)’. This column also captures the passage-of-time adverse effect (‘unwinding correction’) over the lifetime expected cash shortfalls of finance lease receivables that were assigned to Stage 3 for any period throughout the year, as well as of any POCI finance lease receivables. This adverse effect amounted to EUR 5.7 million (2018: EUR 5.0 million) cumulatively for the year 2019, which also reflects the unrecognized interest income out of the related finance lease receivables throughout the year.

The column ‘Insignificant modifications (net)’ reflects the effect on CLA arising from contractual modifications of finance lease receivables which do not trigger their full derecognition. The use of CLA triggered by full or partial write-offs of finance lease receivables is reported in column ‘Write-offs’.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across impairment stages. The year-end GCA of finance lease receivables that were assigned at 31 December 2019 to a different stage compared to 1 January 2019 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

in EUR million	Dec 18	Dec 19
Transfers between Stage 1 and Stage 2		
To Stage 2 from Stage 1	68	92
To Stage 1 from Stage 2	74	49
Transfers between Stage 2 and Stage 3		
To Stage 3 from Stage 2	7	57
To Stage 2 from Stage 3	1	51
Transfers between Stage 1 and Stage 3		
To Stage 3 from Stage 1	9	15
To Stage 1 from Stage 3	44	2

The year-end total GCA of the finance lease receivables that were initially recognized during the reporting period and not fully de-recognized by 31 December 2019 amounts to EUR 1,017.2 million (2018: EUR 439.6 million). The GCAs of the finance lease receivables that were held at 1 January 2019 and fully de-recognized during the year 2019 amounts to EUR 62.2 million (2018: EUR 64.3 million).

22. Hedge accounting derivatives

in EUR million	Dec 18 Notional value	Dec 18 Positive fair value	Dec 18 Negative fair value	Dec 19 Notional value	Dec 19 Positive fair value	Dec 19 Negative fair value
Fair value hedges	**11,510**	**373**	**295**	**11,234**	**460**	**296**
Interest rate	11,510	373	295	11,234	460	296
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	**3,632**	**36**	**72**	**3,532**	**21**	**81**
Interest rate	3,574	36	71	3,280	20	79
Equity	0	0	0	0	0	0
Foreign exchange	57	0	1	252	1	2
Credit	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total gross amounts	**15,142**	**410**	**367**	**14,766**	**481**	**377**
Offset		-277	-90		-350	-107
Total		**132**	**277**		**130**	**269**

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. For more details on balance sheet offsetting please refer to Note 45 Offsetting of financial instruments.

23. Trade and other receivables

Gross carrying amounts and credit loss allowances per impairment buckets

	Gross carrying amount					Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Dec 19											
Central banks	1	0	0	0	1	0	0	0	0	0	1
General governments	44	18	0	0	63	0	0	0	0	0	62
Credit institutions	22	2	0	0	25	0	-1	0	0	-1	24
Other financial corporations	24	5	0	0	30	0	0	0	0	0	29
Non-financial corporations	500	680	50	10	1,240	-3	-2	-41	-1	-47	1,193
Households	70	33	19	0	122	-3	-7	-13	0	-23	99
Total	**661**	**738**	**70**	**10**	**1,480**	**-6**	**-10**	**-55**	**-1**	**-72**	**1,408**

	Gross carrying amount					Credit loss allowances					
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
Dec 18											
General governments	28	22	0	0	49	0	-6	0	0	-6	43
Credit institutions	25	21	0	0	47	0	-1	0	0	-1	46
Other financial corporations	38	3	1	0	42	0	0	-1	0	-1	41
Non-financial corporations	482	591	100	2	1,176	-2	-3	-81	-1	-87	1,089
Households	76	31	20	0	126	-2	-9	-16	0	-27	99
Total	**649**	**668**	**121**	**2**	**1,441**	**-5**	**-19**	**-98**	**-1**	**-122**	**1,318**

Movement in credit loss allowances

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 19								Dec 19
Stage 1	-5	-5	1	1	0	0	0	0	-6
Stage 2	-19	0	1	-1	4	0	6	0	-10
Stage 3	-98	-1	9	-3	1	0	37	0	-55
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-122**	**-6**	**11**	**-3**	**5**	**0**	**43**	**0**	**-72**

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Insignificant modifications (net)	Write-offs	Other	As of
	Jan 18								Dec 18
Stage 1	-5	-5	4	1	1	0	0	-1	-5
Stage 2	-5	-11	1	-2	5	0	0	-6	-19
Stage 3	-105	-3	9	-1	-29	0	48	-17	-98
POCI	-1	0	0	0	0	0	0	0	-1
Total	**-116**	**-19**	**15**	**-2**	**-24**	**0**	**48**	**-24**	**-122**

24. Debt instruments subject to contractual modifications

Impact of non-significant contractual modifications of debt instruments AC assigned to Stage 2 and 3

	Dec 18		Dec 19	
in EUR million	Amortised cost before the modification	Net modification gains/losses	Amortised cost before the modification	Net modification gains/losses
Loans and advances				
General governments	57	0	12	0
Other financial corporations	61	0	11	0
Non-financial corporations	924	-1	615	-3
Households	602	-3	489	1
Total	**1,644**	**-4**	**1,128**	**-2**

As at 31 December 2019, the total GCA of Erste Group's debt instruments measured at AC, which were impacted by non-significant contractual modifications while they were assigned to Stage 2 or 3 and re-assigned to Stage 1 during the year 2019 amounted to EUR 306.2 million (2018: EUR 266.6 million).

25. Investments in associates and joint ventures

in EUR million	Dec 18	Dec 19
Credit institutions	87	47
Financial institutions	58	60
Others	53	56
Total	**198**	**163**

Aggregated financial information of companies accounted for using the equity method

in EUR million	Dec 18	Dec 19
Total assets	4,884	4,870
Total liabilities	4,330	4,284
Income	297	306
Profit/loss	37	48

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

Selected equity method investments where the Erste Group has strategic interest

in EUR million	Dec 18 Prvá stavebná	Dec 18 Global Payments s.r.o.	Dec 18 VBV - Betriebliche Altersvorsorge AG	Dec 19 Prvá stavebná	Dec 19 Global Payments s.r.o.	Dec 19 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	EUR	CZK	EUR	EUR	CZK	EUR
Investee's financial information for the reporting year						
Cash and cash balances	0	4	5	1	13	6
Other current assets	639	59	13	583	47	13
Non-current assets	2,396	55	43	2,411	52	43
Current liabilities	762	52	0	693	38	0
Non-current liabilities	2,032	0	4	2,043	0	2
Operating Income	66	33	0	71	40	0
Post-tax result from continuing operations	15	4	8	17	8	10
Other comprehensive income	0	0	0	0	0	0
Total comprehensive income	15	4	8	17	8	10
Depreciation and amortization	-4	-7	0	-5	-6	0
Interest income	95	0	0	93	0	0
Interest expense	-43	-1	0	-35	-1	0
Tax expense/income	-5	-2	0	-5	-3	0
Reconciliation of investee's net assets against equity investment's carrying amount						
Net assets attributable to Erste Group	84	32	17	90	37	18
Accumulated impairment	0	0	0	-46	0	0
Carrying amount	84	32	17	45	37	18

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

The carrying amount of Prvá stavebná was impaired in the amount of EUR 46 million as a consequence of the extension and increase of the Slovak banking tax. The impairment loss is disclosed in line item 'Other operating result'.

Other equity method investments

in EUR million	Dec 18 Associates	Dec 18 Joint Ventures	Dec 19 Associates	Dec 19 Joint Ventures
Investees' aggregated key financial information				
Post-tax result from continuing operations	4	6	6	6
Other comprehensive income	0	0	0	0
Total comprehensive income	**4**	**6**	**6**	**6**
Loan commitments, financial guarantees and other commitments given	**0**	**0**	**0**	**0**
Carrying amount	**40**	**24**	**40**	**24**

26. 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 in 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 debt securities either under line item 'Non-trading financial assets at fair value through profit or loss' 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 distributions 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 measured at fair value on the balance sheet. All 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 12.2°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. The respective loans and advances are either measured at amortised cost or at fair value through profit or loss, depending whether they are SPPI-compliant or not.

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 advances') are materially similar to their fair values.

Dec 19	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:	0	0	0	0	0	0	9	9
at FVPL	0	0	0	0	0	0	9	9
Debt securities, thereof:	649	46	695	0	59	59	0	754
Financial assets HfT	6	8	14	0	0	0	0	14
at FVPL	643	39	681	0	59	59	0	741
Loans and advances	78	0	78	0	0	0	55	133
Trading derivatives	5	0	5	0	0	0	0	5
Total assets	**732**	**46**	**778**	**0**	**59**	**59**	**64**	**901**
thereof impaired	0	0	0	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	685	0	685	0	0	0	0	685
Central and Eastern Europe	47	5	52	0	0	0	64	116
Other jurisdictions	0	41	41	0	59	59	0	100
Liabilities								
Equity instruments	100	0	100	0	0	0	0	100
Debt securities issued	214	0	214	0	0	0	0	214
Deposits	1,785	0	1,785	0	0	0	2	1,787
Trading derivatives	47	0	47	0	0	0	0	47
Total liabilities	**2,146**	**0**	**2,146**	**0**	**0**	**0**	**2**	**2,148**
Off balance-sheet commitments	**26**	**0**	**26**	**0**	**0**	**0**	**0**	**26**

Dec 18	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:	0	0	0	0	0	0	15	15
at FVPL	0	0	0	0	0	0	15	15
Debt securities, thereof:	579	62	641	0	73	73	0	714
Financial assets HfT	10	9	19	0	0	0	0	19
at FVPL	569	53	622	0	73	73	0	695
Loans and advances	4	0	4	0	0	0	49	53
Trading derivatives	25	0	25	0	0	0	0	25
Total assets	**608**	**62**	**670**	**0**	**73**	**73**	**63**	**807**
thereof impaired	0	0	0	0	0	0	0	0
On-balance sheet exposure analysis per jurisdiction								
Austria	569	0	569	0	0	0	0	569
Central and Eastern Europe	40	3	42	0	0	0	63	106
Other jurisdictions	0	60	60	0	73	73	0	133
Liabilities								
Equity instruments	97	0	97	0	0	0	0	97
Debt securities issued	278	0	278	0	0	0	0	278
Deposits	1,516	0	1,516	0	0	0	0	1,517
Trading derivatives	23	0	23	0	0	0	0	23
Total liabilities	**1,914**	**0**	**1,914**	**0**	**0**	**0**	**0**	**1,914**
Off balance-sheet commitments	**122**	**0**	**122**	**0**	**0**	**0**	**0**	**122**

27. Non controlling interest

Dec 19	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	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	33	5	9	4
Net result attributable to non-controlling interests	356	30	73	13
Accumulated NCI	4,317	508	1,018	228
Subsidiary-level stand-alone key financial information				
Current assets	23,561	5,203	5,003	1,236
Non-current assets	46,391	8,062	9,376	3,154
Current liabilities	49,396	7,865	11,339	3,076
Non-current liabilities	14,238	4,449	1,575	967
Operating income	1,710	307	352	112
Profit or loss from continuing operations	584	79	154	35
Total comprehensive income	**493**	**64**	**118**	**35**

Dec 18	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	EUR	EUR	EUR	EUR
Dividends paid to equity holders of the parent	29	4	7	1
Net result attributable to non-controlling interests	291	34	70	15
Accumulated NCI	4,022	485	947	218
Subsidiary-level stand-alone key financial information				
Current assets	20,931	4,640	4,331	1,093
Non-current assets	44,946	8,097	9,386	3,066
Current liabilities	47,964	8,747	10,392	3,008
Non-current liabilities	12,100	3,094	1,969	832
Operating income	1,557	283	327	104
Profit or loss from continuing operations	568	78	188	45
Total comprehensive income	**228**	**11**	**113**	**20**

28. Property, equipment and investment properties

Acquisition and production costs

Own property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 18	**2,802**	**1,109**	**553**	**606**	**5,070**	**1,501**
Additions	76	66	70	139	352	84
Disposals	-98	-111	-37	-125	-370	-35
Acquisition of subsidiaries	0	0	12	4	17	0
Disposal of subsidiaries	0	0	0	-25	-25	-14
Reclassification	-40	4	0	0	-36	37
Assets held for sale	-67	0	0	0	-67	-3
Currency translation	-6	-2	-2	10	0	-2
Dec 18	**2,668**	**1,067**	**597**	**610**	**4,941**	**1,568**
Additions	109	74	63	148	395	120
Disposals	-100	-74	-131	-332	-637	-26
Acquisition of subsidiaries	11	3	4	0	18	0
Disposal of subsidiaries	0	0	0	0	0	-7
Reclassification	-32	0	7	-1	-26	26
Assets held for sale	-120	-19	0	0	-138	-3
Currency translation	4	-1	-1	2	3	-1
Dec 19	**2,540**	**1,050**	**538**	**427**	**4,555**	**1,678**

Rights of use: property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 19	**404**	**2**	**1**	**2**	**410**	**21**
Additions	152	1	1	1	155	6
Disposals	-13	-1	-1	-2	-17	0
Acquisition of subsidiaries	1	2	0	0	3	0
Disposal of subsidiaries	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Assets held for sale	-2	0	0	0	-2	0
Currency translation	0	0	0	0	0	0
Dec 19	**541**	**5**	**2**	**2**	**550**	**27**

Accumulated depreciation

Own property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 18	**-1,217**	**-822**	**-420**	**-225**	**-2,684**	**-390**
Amortisation and depreciation	-73	-57	-51	-72	-254	-25
Disposals	71	106	35	53	266	13
Acquisition of subsidiaries	0	0	0	-2	-2	0
Disposal of subsidiaries	0	0	0	25	25	6
Impairment	-61	0	0	0	-61	-3
Reversal of impairment	1	0	0	0	2	2
Reclassification	12	9	-8	0	13	-12
Assets held for sale	46	0	0	0	46	1
Currency translation	4	1	1	-4	2	1
Dec 18	**-1,217**	**-763**	**-443**	**-225**	**-2,648**	**-409**
Amortisation and depreciation	-70	-58	-58	-58	-243	-27
Disposals	69	65	133	161	427	9
Acquisition of subsidiaries	-3	-2	-3	0	-8	0
Disposal of subsidiaries	0	0	0	0	0	7
Impairment	-9	-4	0	-8	-22	-6
Reversal of impairment	2	0	0	0	2	1
Reclassification	14	3	-4	1	14	-13
Assets held for sale	59	18	0	0	77	1
Currency translation	-4	1	1	-1	-3	0
Dec 19	**-1,159**	**-740**	**-374**	**-131**	**-2,404**	**-436**

Rights of use: property, equipment and investment properties

in EUR million	Land and buildings	Office and plant equipment/other fixed assets	IT assets (hardware)	Movable other property	Property and equipment	Investment properties
Jan 19	**0**	**0**	**0**	**0**	**0**	**0**
Amortisation and depreciation	-70	-1	0	0	-72	-2
Disposals	2	0	0	0	2	0
Acquisition of subsidiaries	-2	0	0	0	-2	0
Disposal of subsidiaries	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Reversal of impairment	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0
Assets held for sale	0	0	0	0	0	0
Currency translation	0	0	0	0	0	0
Dec 19	**-70**	**-1**	**0**	**0**	**-72**	**-2**

Carrying amounts

Own property, equipment and investment properties

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
Dec 18	**1,450**	**304**	**154**	**385**	**2,293**	**1,159**
Dec 19	**1,381**	**310**	**165**	**296**	**2,152**	**1,241**

Rights of use: property, equipment and investment properties

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
Jan 19	404	2	1	2	410	21
Dec 19	471	4	1	1	478	25

Total 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
Dec 18	1,450	304	154	385	2,293	1,159
Dec 19	1,852	314	166	298	2,629	1,266

The carrying amount of investment properties include properties subject to operating leases in the amount of EUR 1,200.4 million (2018: EUR 1,125.7 million). Investment properties with a carrying amount of EUR 551.4 million (2018: EUR 475.4 million) are subject to the Austrian Non-Profit Housing Act (Wohnungsgemeinnützigkeitsgesetz) and investment properties with a carrying amount of EUR 429.4 million (2018: EUR 363.5 million) are pledged as collaterals. The carrying amount of property and equipment includes properties subject to operating leases in the amount of EUR 411.1 million (2018: EUR 522.5 million).

In the reporting period, expenditures in the amount of EUR 93.2 million (2018: EUR 67.3 million) are capitalised in the carrying amount of fixed assets and investment properties during their construction. The contractual commitments for purchase of fixed assets are EUR 82.6 million (2018: EUR 13.2 million).

For details relating to the fair value of investment properties, see Note 49 Fair value of non-financial instruments.

In 2019, land and buildings were impaired in the amount of EUR 7.2 million (in Romania and Slovakia 2018: EUR 56.9 million in Czech Republic, Austria and Romania). As of 31 December 2019, the recoverable amount of these impaired assets amounted to EUR 26.8 million (2018: EUR 118.2 million).

29. 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
Jan 18	3,869	756	278	1,517	648	312	7,379
Additions	0	0	0	144	61	11	216
Disposals	0	0	0	-122	-255	-11	-388
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0	0
Reclassification	0	0	0	-21	0	21	0
Assets held for sale	0	0	0	0	0	0	0
Currency translation	-2	-2	0	-9	0	-1	-14
Dec 18	3,867	755	277	1,509	453	333	7,194
Additions	0	0	0	146	76	12	233
Disposals	0	0	0	-83	-15	-4	-102
Acquisition of subsidiaries	0	0	0	0	0	5	5
Disposal of subsidiaries	0	0	0	0	0	0	0
Reclassification	0	0	0	-2	-1	3	0
Assets held for sale	0	0	0	0	0	0	0
Exchange-rate changes	-53	-16	-7	-1	-1	0	-78
Dec 19	3,814	739	270	1,569	511	349	7,252

Accumulated depreciation

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Jan 18	**-3,156**	**-686**	**-278**	**-1,135**	**-398**	**-202**	**-5,855**
Amortisation and depreciation	0	-9	0	-112	-52	-20	-193
Disposals	0	0	0	122	255	10	388
Acquisition of subsidiaries	0	0	0	0	0	0	0
Disposal of subsidiaries	0	0	0	0	0	0	0
Impairment	0	0	0	-9	-28	0	-36
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	29	-3	-25	1
Assets held for sale	0	0	0	0	0	0	0
Currency translation	2	1	0	6	0	1	10
Dec 18	**-3,154**	**-694**	**-277**	**-1,099**	**-226**	**-236**	**-5,687**
Amortisation and depreciation	0	-9	0	-114	-52	-23	-197
Disposals	0	0	0	80	15	3	98
Acquisition of subsidiaries	0	0	0	0	0	-4	-4
Disposal of subsidiaries	0	0	0	0	0	0	0
Impairment	-165	0	0	-2	-3	0	-170
Reversal of impairment	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	-1	-1
Assets held for sale	0	0	0	0	0	0	0
Currency translation	53	15	7	0	0	0	76
Dec 19	**-3,267**	**-687**	**-270**	**-1,134**	**-266**	**-260**	**-5,884**

Carrying amounts

in EUR million	Goodwill	Customer relationships	Brand	Software acquired	Self-constructed software within the Group	Others (licenses, patents, etc.)	Total
Dec 18	**712**	**61**	**0**	**410**	**227**	**97**	**1,507**
Dec 19	**547**	**51**	**0**	**435**	**246**	**89**	**1,368**

The contractual commitments for the purchase of intangible assets amounted to EUR 11.2 million (2018: EUR 0.9 million). As of 31 December 2019 the customer relationship Ringturm Kapitalanlagegesellschaft m.b.H. amounted to EUR 36.2 million (2018: EUR 40.4 million). The remaining amortization period of the customer relationship in Ringturm Kapitalanlagegesellschaft m.b.H. was 8.8 years.

Development of goodwill

The changes in the carrying amount of goodwill, as well as gross amounts and accumulated impairment losses of goodwill, 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
Jan 18	**0**	**546**	**165**	**0**	**0**	**0**	**0**	**712**
Acquisitions	0	0	0	0	0	0	0	0
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
Dec 18	**0**	**546**	**165**	**0**	**0**	**0**	**0**	**712**
Gross amount	2,251	546	226	313	114	363	120	3,933
Accumulated impairment	-2,251	0	-61	-313	-114	-363	-120	-3,222
Jan 19	**0**	**546**	**165**	**0**	**0**	**0**	**0**	**712**
Acquisitions	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0
Impairment losses	0	0	-165	0	0	0	0	-165
Exchange rate changes	0	0	0	0	0	0	0	0
Dec 19	**0**	**546**	**0**	**0**	**0**	**0**	**0**	**546**
Gross amount	2,251	546	226	313	114	363	120	3,931
Accumulated impairment	-2,251	0	-226	-313	-114	-363	-120	-3,387

The gross amount of goodwill is the amount as determined at the time of the related acquisition, less accumulated impairment until 31 December 2019, including the effects of exchange rate changes.

Goodwills having a carrying amount other than zero as of 31 December 2018 have been assessed for objective evidence of impairment on a quarterly basis throughout the year 2019. The goodwill of Slovenská sporiteľňa a.s. ('SLSP') was impaired as of 31 December 2019. This impairment was triggered by an extension and increase of the Slovak banking tax which led to a decline in projected results. For Česká spořitelna a.s. ('CSAS') no objective evidence of impairment was identified during the year, therefore the annual goodwill impairment assessment for the year 2019 was carried out for this CGU.

Carrying amount and material parameters used for the impairment test per subsidiary (CGU) for significant goodwills

	CSAS	SLSP
Carrying amount of goodwill as of 1 January 2019	544	165
Effect of exchange rate changes for the year 2019	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 0.13% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2019.	
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 2019.	
Description of approach to determining values assigned to market risk premium	Set at 7.88% 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 (2020 - 2024); extrapolation to perpetuity based on Terminal Growth Rate	
Discount rate applied to cash flow projections (pre-tax)	13.7%	13.7%
The value assigned to β Factor	1.18	1.18
Amount of goodwill impairment loss recognised in profit or loss for the year 2019	0	165
Post-impairment carrying amount of goodwill as of 31 December 2019	544	0

	CSAS	SLSP
Carrying amount of goodwill as of 1 January 2018	544	165
Effect of exchange rate changes for the year 2018	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 1.12% p.a. throughout relevant Group's CGUs based on relevant financial statistics published by Deutsche Bundesbank as at the reference date 31 October 2018	
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' represent-ative of the tested banks (CGUs), as published by Capital IQ as of the reference date 31 October 2018.	
Description of approach to determining values assigned to market risk premium	Set at 7.25% 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 (2019 - 2023); extrapolation to perpetuity based on Terminal Growth Rate	
Discount rate applied to cash flow projections (pre-tax)	12.7%	13.1%
The value assigned to β Factor	1.19	1.19
Amount of goodwill impairment loss recognised in profit or loss for the year 2018	0	0
Post-impairment carrying amount of goodwill as of 31 December 2018	544	165

For cash generating units outside the euro-zone, an inflation differential has been considered when determining the discount rates applicable to the related 2020-2024 cash flow projections.

In respect to tested cash-generating units for which no goodwill impairment loss was determined as of 31 December 2019, 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:

Dec 19	CSAS	SLSP
Amount by which recoverable amount exceeds/fall short the carrying amount	734	n.a.
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	131	n.a.
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-2,011	n.a.
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.167	n.a.
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	111	n.a.

Dec 18	CSAS	SLSP
Amount by which recoverable amount exceeds/fall short the carrying amount	1,698	293
Risk free rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	239	112
Terminal growth rate increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	-982	-441
β factor increase/decrease that would cause recoverable amount to equal carrying amount (coefficient value)	0.352	0.164
Market risk premium increase/decrease that would cause recoverable amount to equal carrying amount (basis points)	200	94

30. Tax assets and liabilities

Major components of deferred tax assets and deferred tax liabilities

	Tax assets		Tax liabilities		Net variance 2019		
in EUR million	Dec 19	Jan 19	Dec 19	Jan 19	Total	Profit or loss	Other comprehensive income
Temporary differences related to the following items:							
Financial assets and liabilities HfT and non-trading financial assets at FVPL	390	371	-337	-341	24	5	18
Financial assets at FVOCI	6	8	-74	-105	30	41	-11
Financial assets at AC and finance lease receivables	191	199	-34	-11	-31	-31	0
Hedge accounting derivatives	126	161	-22	-46	-11	-22	12
Property, plant and equipment	35	47	-126	-26	-111	-111	0
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	93	232	-3	-2	-139	-139	0
Financial liabilities at AC (deposits and debt securities issued)	185	37	-3	-1	146	146	0
Long-term employee provisions (tax valuation different)	151	122	-4	-3	28	11	17
Other provisions (tax valuation different)	67	75	-4	-4	-8	-8	0
Accumulated tax loss carried forward	108	29	0	0	79	79	0
Customer relationships, brands and other intangibles	17	18	-84	-73	-12	-12	0
Other	104	142	-108	-134	-11	-11	0
Non-recoverable tax position from temporary differences	-217	-314	0	0	97	97	0
Effect of netting according IAS 12.71	-780	-724	780	724	0	0	0
Total deferred taxes	**477**	**402**	**-18**	**-23**	**80**	**44**	**36**
Current taxes	**81**	**101**	**-61**	**-99**	**-466**	**-466**	**0**
Total taxes	**558**	**504**	**-78**	**-122**	**-386**	**-422**	**36**

	Tax assets		Tax liabilities		Net variance 2018		
in EUR million	Dec 18	Jan 18	Dec 18	Jan 18	Total	Profit or loss	Other comprehensive income
Temporary differences relate to the following items:							
Financial assets and liabilities HfT	371	461	-341	-299	-132	-132	0
Loans and advances to credit institutions and customers	8	27	-105	-167	43	9	34
Financial assets AfS	199	218	-11	-27	-3	-3	0
Hedge accounting derivatives	161	64	-46	-20	71	69	2
Property, plant and equipment	47	34	-26	-26	13	13	0
Amortisation of investments in subsidiaries (tax-effective in subsequent years)	232	211	-2	-2	21	21	0
Financial liabilities measured at AC (deposits and debt securities issued)	37	62	-1	-49	23	23	0
Long-term employee provisions (tax valuation different)	122	99	-3	-4	25	35	-10
Other provisions (tax valuation different)	75	63	-4	-6	14	14	0
Accumulated tax loss carried forward	29	78	0	0	-49	-49	0
Customer relationships, brands and other intangibles	18	75	-73	-67	-63	-63	0
Other	142	124	-134	-143	27	27	0
Non-recoverable tax position from temporary differences	-314	-444	0	0	130	130	0
Effect of netting according IAS 12.71	-724	-773	724	773	0	0	0
Total deferred taxes	**402**	**299**	**-23**	**-38**	**119**	**93**	**26**
Current taxes	**101**	**108**	**-99**	**-101**	**-415**	**-415**	**0**
Total taxes	**504**	**407**	**-122**	**-139**	**-296**	**-322**	**26**

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 line 'Non-recoverable tax position from temporary differences' 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 80 million (2018: EUR 119 million) an amount of EUR 47 million (2018: EUR 83 million) is reflected as net deferred tax expense in the Group's income statement for the year 2019, whilst an income amount of EUR 34 million (2018: expense EUR 23 million) represents the impact in the Group's other comprehensive income for the year. Furthermore, deferred tax income in the amount of EUR 9 million (2018: EUR 3 million) representing accumulated OCI in respect of deferred tax recognized for cumulative changes in own credit risk attributable to own issues repurchased during the year has been transferred into retained earnings, consequent to the related temporary differences reversing upon repurchase. Similarly, a deferred tax expense of EUR 11 million (2018: EUR 7 million) representing accumulated OCI in respect of deferred tax recognized for cumulative changes in the fair value of FVOCI equity instruments sold during the year has been transferred into retained earnings, consequent to the related temporary differences reversing upon sale. In addition to this, further tax expense in amount of EUR 3 million (2018: tax income EUR 10 million) were recognised directly in retained earnings and reported in column 'Profit or loss'.

The Group's consolidated deferred tax asset position in amount of EUR 475 million as of 31 December 2019 (2018: EUR 402 million) is expected to be recoverable in the foreseeable future. This is also expected to be te case for deferred tax assets exceeding their deferred tax liabilities by an amount of EUR 11 million as of 31 December 2019 (2018: EUR 17 million) incurred by subsidiaries reporting losses in the current or prior period. 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 12 Taxes on income.

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 1,990 million (2018: EUR 1,585 million), as they are not expected to reverse in the foreseeable future. As of 31 December 2019, no deferred tax assets were recognized for tax loss carry-forward and deductible temporary differences with a total amount of EUR 4,060 million (2018: EUR 4,750 million), of which EUR 3,023 million (2018: EUR 3,499 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 508 million (2018: EUR 273 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 8 million will expire (2018: EUR 6 million) and in later periods EUR 35 million (2018: EUR 50 million), EUR 669 million (2018: EUR 753 million) will not expire.

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

in EUR million	Dec 18	Dec 19
Assets held for sale	213	269
Liabilities associated with assets held for sale	3	6

As of the end of 2019, ‘Assets held for sale’ include mainly land and buildings in amount of EUR 180.9 million (2018: EUR 126.7 million).

In 2018, for assets classified as held for sale , the twelve-month period was exceeded. Despite of intense sales negotiations and the related sales intentions, circumstances beyond the control of Erste Group had occurred, that prevented the sale of the assets until the end of the twelve-month period. The sales process could not be completed in 2018. For this reason, the classification has been reversed. The assets concerned, with a carrying amount of EUR 42.1 million were reclassified to the original balance sheet items. In 2018, the effect of the adjustment of the carrying amount of the assets upon the reclassification resulted in a gain of EUR 15.7 million, which was reported under line item ‘Other operating result’.

32. Other assets

in EUR million	Dec 18	Dec 19
Prepayments	110	123
Inventories	187	198
Sundry assets	585	680
Other assets	**882**	**1,001**

In the line ‘Inventories’ real estate project developments are disclosed.

The impairment of inventories, shown as expense in the reporting period amounts to EUR 2.0 million (2018: EUR 1.9 million). The carrying amount of inventories carried at fair value less costs to sell amounts to EUR 20.4 million (2018: EUR 23.5 million).

33. Other financial liabilities held for trading

in EUR million	Dec 18	Dec 19
Short positions	463	368
Equity instruments	77	35
Debt securities	387	333
Debt securities issued	45	48
Other financial liabilities held for trading	**508**	**416**

34. Financial liabilities at fair value through profit or loss

	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
in EUR million	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19
Deposits	212	265	194	248	18	17
Debt securities issued	13,446	13,011	12,706	12,415	740	596
Other financial liabilities	464	219	464	219	0	0
Financial liabilities at FVPL	**14,122**	**13,494**	**13,364**	**12,882**	**758**	**613**

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

	For reporting period		Cumulative amount	
in EUR million	1-12 18	1-12 19	Dec 18	Dec 19
Deposits	-1	-1	4	2
Debt securities issued	-226	19	502	484
Other financial liabilities	0	0	0	0
Financial liabilities at FVPL	**-227**	**18**	**505**	**486**

The line 'Other financial liabilities' contains fund units issued by investment funds fully consolidated by Erste Group. Their fair value changes are subject to asset-specific performace risk only and are not dependent on changes in the individual own credit risk of the respective investment funds.

Debt securities issued

in EUR million	Dec 18	Dec 19
Subordinated debt securities issued	4,879	4,539
Other debt securities issued	8,567	8,471
Bonds	5,469	5,386
Other certificates of deposits/name certificates	771	872
Mortgage covered bonds	1,945	1,961
Public sector covered bonds	381	252
Debt securities issued	**13,446**	**13,011**

35. Financial liabilities at amortised costs

Deposits from banks

in EUR million	Dec 18	Dec 19
Overnight deposits	4,280	1,951
Term deposits	11,985	9,613
Repurchase agreements	1,392	1,577
Deposits from banks	**17,658**	**13,141**

Deposits from customers

in EUR million	Dec 18	Dec 19
Overnight deposits	**110,201**	**121,651**
Savings deposits	27,693	31,476
Other financial corporations	180	150
Non-financial corporations	1,771	1,992
Households	25,742	29,334
Non-savings deposits	82,508	90,174
General governments	4,943	5,339
Other financial corporations	5,465	5,705
Non-financial corporations	24,916	27,245
Households	47,184	51,886
Term deposits	**50,743**	**49,910**
Deposits with agreed maturity	44,800	43,508
Savings deposits	29,720	28,248
Other financial corporations	964	1,098
Non-financial corporations	1,339	1,323
Households	27,418	25,826
Non-savings deposits	15,080	15,261
General governments	3,760	3,294
Other financial corporations	2,418	2,488
Non-financial corporations	3,081	3,493
Households	5,821	5,985
Deposits redeemable at notice	5,942	6,402
General governments	13	12
Other financial corporations	102	86
Non-financial corporations	109	163
Households	5,719	6,140
Repurchase agreements	**1,483**	**1,505**
General governments	31	9
Other financial corporations	1,452	1,431
Non-financial corporations	0	65
Deposits from customers	**162,426**	**173,066**
General governments	8,747	8,655
Other financial corporations	10,581	10,958
Non-financial corporations	31,215	34,281
Households	111,884	119,173

Debt securities issued

in EUR million	Dec 18	Dec 19
Subordinated debt securities issued	951	1,439
Senior non-preferred bonds	0	505
Other debt securities issued	15,341	15,417
Bonds	3,073	2,929
Certificates of deposit	864	81
Other certificates of deposits/name certificates	267	237
Mortgage covered bonds	9,112	10,796
Public sector covered bonds	10	0
Other	2,016	1,374
Debt securities issued	**16,293**	**17,360**

In 1998, Erste Group Bank AG launched a EUR 30 billion 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 2019, 49 DIP new bonds (2018: 37) with a total volume of approximately EUR 1.8 billion (2018: EUR 2.8 billion) were issued under the DIP. In November 2018 the Covered Bonds Programme was implemented, under which 3 new bonds with a total volume of EUR 1.0 billion were issued.

In 2019, 3 new bonds (2018: 4) with a total volume of EUR 3 million (2018: EUR 4 million) were issued under Credit Linked Notes Programme. In 2019, 173 (2018: 179) new bonds with a total volume of EUR 414 million (2018: EUR 539 million) were issued out of the Structured Notes Programme. In June 2019, the Capital Guaranteed Structured Notes Programme was implemented. Until year-end, 16 new bonds with a total volume of EUR 70 million were issued.

Furthermore, secured and senior unsecured registered notes (‘Namenspfandbriefe’ and ‘Namensschuldverschreibungen’), were issued with a volume of EUR 107 million (2018: EUR 40 million).

Starting with August 2008, the Euro Commercial Paper and Certificates of Deposit Programme has an overall volume of EUR 10.0 billion. In total, 34 issues (2018: 24) amounting to EUR 1.4 billion (2018: EUR 1.2 billion) were placed in 2019. Issues totalling approximately EUR 1.8 billion (2018: EUR 753 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 total balance as of 31 December 2019 of the Dollar Certificate of Deposit Program of the New York branch amounted to EUR 38 million (USD 43 million) and as of 31 December 2018 EUR 0.4 billion (USD 0.5 billion). The Dollar Commercial Paper Program of Erste Finance Delaware LLC has a maximum issuance volume of EUR 6.7 billion (USD 7.5 billion), with a total balance as of 31 December 2019 of EUR 1.4 billion (USD 1.5 billion) and EUR 2.0 billion (USD 2.3 billion) as of 31 December 2018.

36. Provisions

in EUR million	Dec 18	Dec 19
Long-term employee provisions	981	1,054
Pending legal issues and tax litigation	332	353
Loan commitments and financial guarantees given	329	293
CLA for loan commitments and financial guarantees in Stage 1	76	64
CLA for loan commitments and financial guarantees in Stage 2	58	75
CLA for loan commitments and financial guarantees - Defaulted	196	154
Other provisions	62	219
Provisions for onerous contracts	3	3
Other	60	216
Provisions	**1,705**	**1,919**

Long-term employee provisions

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Present value of long-term employee benefit obligations − Dec 15	**741**	**430**	**87**	**1,258**
Present value of long-term employee benefit obligations − Dec 16	**714**	**446**	**90**	**1,250**
Present value of long-term employee benefit obligations − Dec 17	**700**	**431**	**88**	**1,219**
Increase	0	0	0	0
Decrease	0	0	0	0
Settlements/curtailments	2	0	0	2
Service cost	2	11	5	18
Interest cost	14	8	2	24
Payments	-61	-29	-6	-96
Exchange rate difference	0	0	0	0
Other changes	0	0	0	0
Actuarial gains/losses recognised in OCI				
Adjustments in financial assumptions	19	9	0	28
Adjustments in demopraphic assumptions	52	6	0	58
Experience adjustments	22	9	0	31
Actuarial gains/losses recognised in PL				
Adjustments in financial assumptions	0	0	9	9
Adjustments in demopraphic assumptions	0	0	-3	-3
Experience adjustments	0	0	2	2
Present value of long-term employee benefit obligations − Dec 18	**750**	**445**	**97**	**1,292**
Obligations covered by plan assets	22	235	54	311
Obligations covered by provisions	728	210	43	981
Less fair value of plan assets	**22**	**235**	**54**	**311**
Provisions − Dec 18	**728**	**210**	**43**	**981**
Present value of long-term employee benefit obligations − Dec 18	**750**	**445**	**97**	**1,292**
Increase	1	0	0	1
Decrease	0	0	0	0
Settlements/curtailments	0	0	0	0
Service cost	1	15	7	23
Interest cost	15	4	1	20
Payments	-64	-34	-5	-103
Exchange rate difference	1	0	0	0
Other changes	-1	5	0	4
Actuarial gains/losses recognised in OCI				
Adjustments in financial assumptions	81	57	0	137
Adjustments in demografic assumptions	0	0	0	0
Experience adjustments	8	6	0	14
Actuarial gains/losses recognised in PL				
Adjustments in financial assumptions	0	0	14	14
Adjustments in demografic assumptions	0	0	0	0
Experience adjustments	0	0	-2	-2
Present value of long-term employee benefit obligations − Dec 19	**791**	**497**	**113**	**1,400**
Obligations covered by plan assets	27	258	62	347
Obligations covered by provisions	764	239	51	1,054
Less fair value of plan assets	**27**	**258**	**62**	**347**
Provisions − Dec 19	**764**	**239**	**51**	**1,054**

Actuarial assumptions

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

in %	Dec 18	Dec 19
Interest rate	1.92	0.95
Expected increase in retirement benefits	1.80	2.00

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 entities the actuarial calculation of severance payment and jubilee benefits is based on the following assumptions:

in %	Dec 18	Dec 19
Interest rate	1.92	0.95
Average increase in salary (incl. career trend and collective agreement trend)	2.70	2.90

The interest rate applied for the calculation of the long-term employee provisions is derived from the yield of a portfolio of AA-rated corporate bonds. For this purpose the weighted average yield of the underlying portfolio with a corresponding duration is determined.

For the non-Austrian subsidiaries and branches interest rates between 0.4% (2018: 1.45%) and 4.45% (2018: 4.70%) were used. The legal retirement age is in a range between 61 years for women and 65 years for men.

Obligations were calculated based on mortality tables entitled 'AVÖ 2018–P – Rechnungsgrundlagen für die Pensionsversicherung' or comparable mortality tables.

Movements in plan assets

in EUR million	Pensions	Severance payments	Jubilee benefits	Total
Fair value of plan assets − Dec 17	**22**	**233**	**49**	**304**
Addition	0	0	0	0
Interest income on plan assets	1	4	1	6
Contributions by the employer	1	22	10	33
Benefits paid	1	-17	-5	-21
Actuarial gains/losses recognised in OCI	-3	-7	0	-10
Actuarial gains/losses recognised in PL	0	0	-1	-1
Fair value of plan assets − Dec 18	**22**	**235**	**54**	**311**
Addition	0	0	0	0
Interest income on plan assets	0	4	1	5
Contributions by the employer	1	33	11	45
Benefits paid	-1	-21	-6	-27
Actuarial gains/losses recognised in OCI	5	7	0	12
Actuarial gains/losses recognised in PL	1	0	1	2
Fair value of plan assets − Dec 19	**27**	**258**	**62**	**347**

In 2020, the expected contributions for the severance and jubilee benefit obligations will amount to EUR 9.6 million (2019: EUR 9.6 million). The contributions shown in the table include not only regular contributions but also one-time payments at the end of the year. The total gain on plan assets amounted to EUR 18.8 million (2018: loss EUR -4.2 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. Major part 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 2020 are expected with EUR 85.7 million (2019: EUR 81.0 million) for both plans.

The average duration of these provisions are assumed to be 8.89 years (2017: 8.57 years) for severance payments and 11.51 years (2018: 11.32 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

	Dec 18					Dec 19				
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					50					20
Equity instruments	0	0	13	3	16	5	5	40	11	61
Investment-grade bonds										
Government	4	0	1	0	5	56	23	5	29	113
Non-government bonds	16	6	9	6	36	16	10	19	11	55
Non-investment-grade bonds										
Government	33	0	8	0	41	0	1	14	22	37
Non-government bonds	96	29	23	11	159	17	5	14	8	45
Alternatives										
Commodities					0					
Other	0	0	0	0	0	0	0	1	8	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	0	0	0	0	4	0	0	0	0	7
Plan assets	**0**	**0**	**0**	**0**	**311**	**0**	**0**	**0**	**0**	**347**

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 2019, 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.

Effects of defined post-employment benefit plans in profit or loss

in EUR million	Dec 18	Dec 19
Settlements/curtailments	-2	0
Service cost	-18	-23
Net interest	-18	-15
Total	**-38**	**-38**

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 'Other similar income' and 'Other similar expense' under 'Net interest income'. As of 31 December 2019, the cumulative amount of remeasurement from defined benefit plans, recognised in other comprehensive income amounted to EUR -782.9 million before tax (2018: EUR -642.9 million).

Sensitivity to key assumption

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.

	Dec 18			Dec 19		
in EUR million	Pensions	Severance payments	Total	Pensions	Severance payments	Total
Change in discount rate +1.0% (2018) / +0.5%	692	400	1,092	758	470	1,228
Change in discount rate -1.0% (2018) / -0.5%	817	498	1,315	827	526	1,353
Change in future salary increases +0.5%	750	470	1,220	791	526	1,317
Change in future salary increases -0.5%	750	422	1,172	791	470	1,261
Change in future benefit increases +0.5%	804	445	1,249	849	497	1,346
Change in future benefit increases -0.5%	699	445	1,144	737	497	1,234
Increase in survival rate by approx. 10%	803	0	803	853	0	853

Impact on cash flows

Benefits expected to be paid by the defined benefit plans in each of the respective periods

in EUR million	Pensions	Severance payments	Total
2020	61	25	86
2021	57	19	76
2022	54	21	75
2023	50	28	78
2024	47	24	71
2025-2029	191	128	319

Duration

Weighted average duration of the defined-benefit obligations

	Dec 18			Dec 19		
in years	Pensions	Severance payments	Total	Pensions	Severance payments	Total
Duration	8.57	11.32	9.57	8.89	11.51	9.84

The weighted average duration is affected by changes in longevity and in the mortality table.

Sundry provisions

Movement in credit loss allowances for loan commitments and financial guarantees

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 19						Dec 19
Stage 1	76	148	-56	-54	-49	-2	64
Stage 2	58	0	-29	78	-34	2	75
Defaulted	196	1	-102	8	51	0	154
Total	**329**	**149**	**-186**	**33**	**-31**	**0**	**293**

in EUR million	As of	Additions	Derecognitions	Transfers between stages	Other changes in credit risk (net)	Other	As of
	Jan 18						Dec 18
Stage 1	66	131	-66	-117	64	-2	76
Stage 2	57	0	-38	47	-5	-4	58
Defaulted	183	2	-121	24	107	0	196
Total	**307**	**132**	**-225**	**-46**	**166**	**-5**	**329**

In column 'Additions' increases of CLA due to the initial recognition of loan commitments and financial guarantees during the current reporting period are disclosed. Releases of CLA following the derecognition of the related loan commitments and financial guarantees are reported in column 'Derecognitions'.

In the column 'Transfers between stages' CLA net changes due to changes in credit risk that triggered re-assignments of the related loan commitments and financial guarantees from Stage 1 (at 1 January 2019 or initial recognition date) to Stages 2 or Defaulted at 31 December 2019 or vice-versa are reported. The effects of transfers from Stage 1 to Stages 2 or Defaulted on the related CLAs are adverse and presented in lines attributable to Stages 2 or Defaulted. The effects of transfers from Stages 2 or Defaulted to Stage 1 on the related CLAs are favourable and presented in line 'Stage 1'. The P&L-neutral effect from cross-stage transferring of the related CLA amounts recognized prior to stage re-assignments are presented above in column 'Other changes in credit risk (net)'. This column also captures the passage-of-time adverse effect ('unwinding') over the lifetime expected cash shortfalls of defaulted loan commitments and financial guarantees.

One significant driver of the CLA movements for the year has been the transfer of the related instruments across different stages. The year-end notional amounts of loan commitments and financial guarantees that were assigned at 31 December 2019 to a different stage compared to 1 January 2019 (or to the initial recognition date, if originated during the year) are summarized below:

Transfers between stages

in EUR million	Dec 18	Dec 19
Transfers between Stage 1 and Stage 2	**927**	**1,644**
To Stage 2 from Stage 1	521	1,044
To Stage 1 from Stage 2	405	600
Transfers between Stage 2 and Defaulted	**128**	**19**
To Defaulted from Stage 2	104	12
To Stage 2 from Defaulted	24	8
Transfers between Stage 1 and Defaulted	**60**	**99**
To Defaulted from Stage 1	54	79
To Stage 1 from Defaulted	6	20

The year-end nominal amounts of unused off-balance commitments and financial guarantees that were initially recognized during the year 2019 and not fully de-recognized by 31 December 2019 amounts to EUR 11,918.6 million (2018: EUR 11,486.3 million). The nominal amounts of unused off-balance commitments or financial guarantees that were held at 1 January 2019 and fully de-recognized during the year 2019 amounts to EUR 7,397.3 million (2018: EUR 6,867.9 million).

Sundry provisions 2019

in EUR million	Jan 19	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes	Dec 19
Pending legal issues and tax litigation	332	73	-13	-37	0	-2	353
Commitments and guarantees given out of scope of IFRS9	14	19	-1	-17	0	1	17
Other provisions	48	277	-18	-105	0	-1	202
Provisions for onerous contracts	3	0	0	0	0	0	3
Other	46	277	-18	-105	0	-1	199
Provisions	**394**	**369**	**-32**	**-159**	**0**	**-1**	**571**

Sundry provisions 2018

in EUR million	Jan 18	Allocations	Use	Releases	Unwind of discount	Exchange rate and other changes	Dec 18
Pending legal issues and tax litigation	351	64	-11	-72	0	0	332
Commitments and guarantees given out of scope of IFRS9	0	15	0	-11	0	11	14
Other provisions	60	6	-7	-10	0	-2	48
Provisions for onerous contracts	4	0	0	-1	0	0	3
Other	57	6	-7	-9	0	-2	46
Provisions	**411**	**85**	**-18**	**-93**	**0**	**9**	**394**

Under position 'Pending legal issues and tax litigation' provisions related to litigations from lending business, asset management or litigations with customer protection associations, which normally occur in banking business, are disclosed. In 2019, a provision for risks related to Romanian Consumer Protection Claims Act was partially released in amount of EUR 6.1 million (2018: EUR 23.8 million). The total amount of the provision as of 31 December 2019 was EUR 118.8 million (2018: EUR 133.5 million).

The level of other 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. During 2019 a provision in the amount of EUR 153.3 million was allocated for losses expected from a decision of the Romanian High Court in relation to the business activities of the Romanian building society subsidiary BCR Banca pentru Locuinte SA. (BPL). The related provision is disclosed in line 'Other provisions'. This case is about whether state subsidies had been disbursed to building society clients in accordance with the applicable legal provisions. The provision was determined based on the expected amount that should be returned to the Romanian State, consisting of state permiums, interest and penalties. The total amount of the provision as of 31 December 2019 was EUR 144.3 million.

37. Other liabilities

in EUR million	Dec 18	Dec 19
Deferred income	131	117
Sundry liabilities	2,193	2,252
Other liabilities	**2,323**	**2,369**

Deferred income outstanding at 31 December 2019 includes 'contract liabilities' in accordance with IFRS 15 in amount of EUR 107 million (2018: EUR 111 million). Revenue recognised in the reporting year 2019 that was included in the contract liability balance at the beginning of the period amounts to EUR 38 million (2018: EUR 32 million).

The item 'Sundry liabilities' mainly contains outstanding settlement liabilities as well as other liabilities from employee benefits.

38. Total equity

in EUR million	Dec 18	Dec 19
Subscribed capital	860	860
Additional paid-in capital	1,477	1,478
Retained earnings and other reserves	11,045	11,792
Owners of the parent	**13,381**	**14,129**
Additional equity instruments	993	1,490
Non-controlling interests	4,494	4,857
Total	**18,869**	**20,477**

As of 31 December 2019, subscribed capital (also known as registered capital) consists of 429,800,000 (2018: 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.

Additional equity instruments

In addition Erste Group Bank AG issued additional tier 1 capital (AT1 bonds). AT1 bonds are perpetual and can be cancelled only by the issuer at predetermined dates. The bonds include discretionary non-cumulative coupon payments. Details related to each tranche are disclosed in the following table.

Nominal value	Currency	Issue month	Initial fixed rate	Reset rate after the first call date	Coupon payments	First and subsequent calls dates
500 million	EUR	June 2016	8.875%	5Y swap +9.02%	Semi-annually on 15th April & 15th October	15.10.2021 + coupon dates thereafter
500 million	EUR	April 2017	6.5%	5Y swap +6.204%		15.04.2024 + coupon dates thereafter
500 million	EUR	March 2019	5.125%	5Y swap +4.851%		15.10.2025 + coupon dates thereafter

If common equity tier 1 ratio of Erste Group or Erste Group Bank AG falls below 5.125% (i.e. a trigger event occurs) the principal amount will be written down (fully or partially) on a temporary basis. The issuer may, at its sole discretion, write up the amount (fully or partially) provided a positive profit has been recorded and the trigger event no longer exists.

Changes in number of outstanding shares

	Dec 18	Dec 19
Shares outstanding as of 1 January	**409,206,906**	**408,617,137**
Acquisition of treasury shares	-11,126,627	-7,677,249
Disposal of treasury shares	10,536,858	7,187,249
Shares outstanding as of 31 December	**408,617,137**	**408,127,137**
Treasury shares	21,182,863	21,672,863
Number of shares issued as of 31 December	**429,800,000**	**429,800,000**
Weighted average number of outstanding shares	426,696,221	426,565,097
Weighted average diluted number of outstanding shares	426,696,221	426,565,097

In addition to the calculation of the annual average number of shares outstanding by incorporation of acquisitions and disposals of treasury shares during the year, the line items 'weighted average number of outstanding shares' and 'weighted average diluted number of outstanding shares' consider a proportionate allocation of the treasury shares held by non-controlling interests.

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.

Shares and related dividends held by management board

Managing board member	Dec 18	Additions	Disposals	Dec 19	Dividends received in 2019 (in EUR)
Bleier Ingo (since 1 July 2019)	0	3,111	0	3,111	155
Bosek Peter	1,000	500	0	1,500	1,400
Brávek Petr	600	0	0	600	840
Cernko Willibald (until 30 June 2019)	0	0	0	0	0
Dörfler Stefan (since 1 July 2019)	0	800	0	800	1,120
Habeler-Drabek Alexandra (since 1 July 2019)	0	72	0	72	101
Mittendorfer Gernot (until 30 June 2019)	10,000	0	10,000	0	14,000
Síkela Jozef (until 30 June 2019)	6,300	0	6,300	0	8,820
Spalt Bernhard (since 1 July 2019)	0	5,000	0	5,000	0
Treichl Andreas	164,640	0	0	164,640	230,496

Shares and related dividends held by supervisory board

Supervisory board member	Dec 18	Additions	Disposals	Dec 19	Dividends received in 2019 (in EUR)
Bleyleben-Koren Elisabeth (until 15 May 2019)	10,140	0	10,140	0	14,196
Bulach Matthias (since 15 May 2019)	0	0	0	0	0
Egerth-Stadlhuber Henrietta (since 26 June 2019)	0	0	0	0	0
Grießer Martin (since 26 June 2019)	0	14	0	14	20
Griss Gunter	0	0	0	0	0
Gual Solé Jordi	0	0	0	0	0
Haag Markus	176	0	0	176	246
Haberhauer Regina	188	0	0	188	263
Hardegg Maximilian	240	0	0	240	336
Homan Jan	4,400	0	0	4,400	6,160
Khüny Marion	0	0	0	0	0
Krainer Senger-Weiss Elisabeth	0	0	0	0	0
Lachs Andreas	0	0	0	0	0
O'Neill Brian D. (until 20 December 2019)	0	0	0	0	0
Pichler Barbara	309	0	0	309	433
Pinter Jozef	0	0	0	0	0
Rasinger Wilhelm	22,303	2,000	0	24,303	32,624
Rödler Friedrich	1,702	500	0	2,202	2,383
Stack John James	32,761	0	0	32,761	45,865
Sutter-Rüdisser Michèle F. (since 15 May 2019)	0	0	0	0	0
Zeisel Karin	38	0	0	38	53

As of 31 December 2019, 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 3,412 shares (2018: 3,366 shares) of Erste Group Bank AG.

Remaining authorised and contingent capital as of 31 December 2019

Clause 5 of the articles of association authorises the management board to increase the registered capital with the consent of the supervisory board until 24 May 2023 - also in several tranches - by an amount of up to EUR 343,600,000 by issuing up to 171,800,000 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 which were issued and sold on the basis of the authorization in section 8.3, subject to an exclusion of subscription rights, on or after 24 May 2018 must not, however, exceed the proportionate amount of EUR 171,920,000.

Clause 6.3 of the articles of association states that conditional capital based on the resolutions of the management board in 2002 and 2010 (both approved by the supervisory board) 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.

39. 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 2019.

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 are included 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. Public Sector consists of three sets of customers: public sector, public corporations and non-profit sector. In addition, the majority of municipalities are also segmented as Public Sector clients.

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 all non-core banking business activities such as internal service providers and reconciliation items to local entity results. The corporate center of Erste Group Bank AG is included in the Group Corporate Center segment.

Savings Banks. The Savings Banks segment 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), internal service providers (facility management, IT, procurement), the banking tax of Erste Group Bank AG as well as free capital of Erste Group (defined as the difference of the total average IFRS equity and the average economical equity allocated to the segments).

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

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

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 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 2019 the goodwill impairment of Slovenská sporiteľňa in the amount of EUR 165.0 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, operational risk and business strategic risk. According to the regular internal reporting to Erste Group management board, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. Total average allocated capital for the Group equals average total equity of the Group. For measuring and assessing the profitability of segments within Erste Group, such key measures as return on allocated capital and cost/income ratio are used.

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

Business segments (1)

in EUR million	Retail 1-12 18	Retail 1-12 19	Corporates 1-12 18	Corporates 1-12 19	Group Markets 1-12 18	Group Markets 1-12 19	ALM&LCC 1-12 18	ALM&LCC 1-12 19
Net interest income	2,267.5	2,290.1	1,032.2	1,098.7	252.6	257.2	-91.6	-104.3
Net fee and commission income	1,054.4	1,094.5	283.1	301.1	226.5	228.3	-102.8	-84.5
Dividend income	0.4	3.6	1.0	1.6	1.5	3.0	11.7	7.6
Net trading result	118.0	112.0	70.6	95.5	60.1	19.9	-206.8	117.3
Gains/losses from financial instruments at FVPL	-1.7	0.5	17.7	5.4	-7.0	28.5	174.7	-78.7
Net result from equity method investments	6.8	6.1	0.0	0.0	0.0	0.0	3.4	4.8
Rental income from investment properties & other operating leases	22.4	23.0	119.6	100.8	0.0	0.0	33.0	30.8
General administrative expenses	-2,030.9	-2,096.2	-572.3	-575.3	-241.3	-240.2	-67.8	-110.9
thereof depreciation and amortization	-213.0	-273.8	-72.2	-70.7	-15.6	-14.3	-11.8	-12.3
Gains/losses from derecognition of financial assets at AC	0.0	-0.3	0.0	-1.1	0.0	0.0	-0.1	5.6
Other gains/losses from derecognition of financial instruments not at FVPL	1.1	0.0	10.0	21.3	0.0	0.0	-5.8	-2.3
Impairment result from financial instruments	-24.7	-74.6	59.4	32.9	-0.4	5.1	12.4	13.0
Other operating result	-54.0	-226.1	-3.0	-22.5	-21.3	-18.4	-125.4	-93.3
Levies on banking activities	-60.4	-69.2	-21.5	-27.6	-3.6	-4.1	-7.2	-6.4
Pre-tax result from continuing operations	**1,359.3**	**1,132.5**	**1,018.2**	**1,058.4**	**270.7**	**283.4**	**-365.1**	**-295.0**
Taxes on income	-253.7	-223.3	-180.0	-202.5	-51.5	-52.8	69.9	46.8
Net result for the period	**1,105.6**	**909.2**	**838.2**	**855.9**	**219.1**	**230.6**	**-295.2**	**-248.1**
Net result attributable to non-controlling interests	40.7	42.8	36.7	41.0	3.5	6.0	-6.1	-10.9
Net result attributable to owners of the parent	**1,064.9**	**866.4**	**801.5**	**814.9**	**215.7**	**224.6**	**-289.1**	**-237.3**
Operating income	3,467.8	3,529.7	1,524.0	1,603.1	533.7	536.9	-178.5	-107.1
Operating expenses	-2,030.9	-2,096.2	-572.3	-575.3	-241.3	-240.2	-67.8	-110.9
Operating result	**1,436.9**	**1,433.5**	**951.8**	**1,027.8**	**292.4**	**296.7**	**-246.3**	**-218.0**
Risk-weighted assets (credit risk, eop)	20,199	19,053	38,702	42,693	3,985	3,321	5,298	5,739
Average allocated capital	3,145	3,446	3,989	4,567	800	958	2,773	3,037
Cost/income ratio	58.6%	59.4%	37.5%	35.9%	45.2%	44.7%	-38.0%	>100%
Return on allocated capital	35.2%	26.4%	21.0%	18.7%	27.4%	24.1%	-10.6%	-8.2%
Total assets (eop)	62,434	65,277	52,710	57,342	46,257	31,394	49,155	60,971
Total liabilities excluding equity (eop)	86,252	91,572	27,044	28,210	37,207	31,802	47,746	49,244
Impairments	**-35.4**	**-74.4**	**57.2**	**20.6**	**-0.4**	**5.1**	**-46.9**	**-4.6**
Net impairment loss on financial assets AC	-32.4	-80.9	53.9	-26.1	-1.7	4.6	1.0	10.2
Net impairment loss on financial assets FVOCI	0.0	-0.1	-0.9	-3.6	0.0	0.0	2.2	-0.2
Net impairment loss on finance lease receivables	-0.2	-1.7	10.4	9.2	0.0	0.0	0.1	0.3
Net impairment loss on commitments and guarantees given	7.9	8.0	-4.1	53.5	1.3	0.5	9.2	2.6
Impairment of goodwill	-2.6	0.0	0.0	0.0	0.0	0.0	2.6	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	-0.3	-1.3	0.0	0.0	0.3	1.3
Net impairment on other non-financial assets	-8.1	0.2	-1.9	-11.0	0.0	0.0	-62.2	-18.8

Business segments (2)

in EUR million	Savings Banks 1-12 18	Savings Banks 1-12 19	Group Corporate Center 1-12 18	Group Corporate Center 1-12 19	Intragroup Elimination 1-12 18	Intragroup Elimination 1-12 19	Total Group 1-12 18	Total Group 1-12 19
Net interest income	1,016.4	1,052.1	77.9	70.6	27.0	82.5	4,582.0	4,746.8
Net fee and commission income	459.8	490.6	-12.5	-1.3	0.0	-28.5	1,908.4	2,000.1
Dividend income	8.9	6.1	5.6	6.0	0.0	0.0	29.0	27.9
Net trading result	1.9	26.8	-0.8	17.7	-44.5	-70.9	-1.7	318.3
Gains/losses from financial instruments at FVPL	-28.9	25.2	40.7	-5.5	0.0	0.0	195.4	-24.5
Net result from equity method investments	0.0	0.0	2.9	6.2	0.0	0.0	13.1	17.1
Rental income from investment properties & other operating leases	39.4	39.3	10.4	-22.9	-35.4	-0.9	189.4	170.1
General administrative expenses	-1,073.3	-1,120.1	-980.4	-1,023.9	784.8	883.4	-4,181.1	-4,283.3
thereof depreciation and amortization	-70.4	-83.2	-89.0	-116.6	0.0	29.9	-472.0	-541.0
Gains/losses from derecognition of financial assets at AC	1.3	2.3	0.7	0.4	-1.8	-6.0	0.1	0.9
Other gains/losses from derecognition of financial instruments not at FVPL	0.6	-0.5	-0.3	-1.1	0.0	6.1	5.7	23.5
Impairment result from financial instruments	19.8	0.7	-7.3	-16.4	0.0	0.0	59.3	-39.2
Other operating result	-6.4	24.5	635.6	573.3	-730.1	-865.6	-304.5	-628.2
Levies on banking activities	-4.1	-4.3	-15.4	-16.4	0.0	0.0	-112.2	-128.0
Pre-tax result from continuing operations	**439.4**	**547.1**	**-227.5**	**-396.8**	**0.0**	**0.0**	**2,495.0**	**2,329.7**
Taxes on income	-106.0	-127.8	188.9	141.0	0.0	0.0	-332.4	-418.7
Net result for the period	**333.4**	**419.2**	**-38.6**	**-255.8**	**0.0**	**0.0**	**2,162.5**	**1,911.1**
Net result attributable to non-controlling interests	279.8	354.5	14.4	7.5	0.0	0.0	369.1	440.9
Net result attributable to owners of the parent	**53.6**	**64.8**	**-53.0**	**-263.3**	**0.0**	**0.0**	**1,793.4**	**1,470.1**
Operating income	1,497.4	1,640.2	124.2	70.9	-52.9	-17.7	6,915.6	7,255.9
Operating expenses	-1,073.3	-1,120.1	-980.4	-1,023.9	784.8	883.4	-4,181.1	-4,283.3
Operating result	**424.1**	**520.1**	**-856.2**	**-953.0**	**731.9**	**865.6**	**2,734.6**	**2,972.7**
Risk-weighted assets (credit risk, eop)	23,334	24,670	1,691	1,417	0	0	93,209	96,894
Average allocated capital	2,741	3,218	4,685	4,561	0	0	18,133	19,788
Cost/income ratio	71.7%	68.3%	>100%	>100%	>100%	>100%	60.5%	59.0%
Return on allocated capital	12.2%	13.0%	-0.8%	-5.6%			11.9%	9.7%
Total assets (eop)	63,364	67,360	5,178	4,081	-42,305	-40,732	236,792	245,693
Total liabilities excluding equity (eop)	58,648	62,276	3,380	2,869	-42,354	-40,759	217,923	225,216
Impairments	**20.2**	**1.8**	**-37.0**	**-231.3**	**0.0**	**0.0**	**-42.3**	**-282.8**
Net impairment loss on financial assets AC	-8.1	-12.1	25.9	-8.2	0.0	0.0	38.6	-112.5
Net impairment loss on financial assets FVOCI	1.4	-0.2	0.9	-0.1	0.0	0.0	3.5	-4.2
Net impairment loss on finance lease receivables	0.3	-0.4	0.0	0.0	0.0	0.0	10.6	7.4
Net impairment loss on commitments and guarantees given	26.3	13.4	-34.1	-8.1	0.0	0.0	6.6	70.0
Impairment of goodwill	0.0	0.0	0.0	-165.0	0.0	0.0	0.0	-165.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.3	0.0	-46.1	0.0	0.0	0.0	-45.8
Net impairment on other non-financial assets	0.4	0.8	-29.7	-3.9	0.0	0.0	-101.6	-32.8

Geographical segmentation – overview

in EUR million	Austria		Central and Eastern Europe		Other		Total Group	
	1-12 18	1-12 19	1-12 18	1-12 19	1-12 18	1-12 19	1-12 18	1-12 19
Net interest income	2,049.6	2,101.1	2,418.7	2,549.7	113.7	96.0	4,582.0	4,746.8
Net fee and commission income	1,070.8	1,130.1	896.1	955.6	-58.4	-85.6	1,908.4	2,000.1
Dividend income	18.4	17.6	5.1	4.3	5.6	6.0	29.0	27.9
Net trading result	-16.8	-1.5	270.8	268.9	-255.6	50.9	-1.7	318.3
Gains/losses from financial instruments at FVPL	-25.9	69.6	10.4	8.7	210.9	-102.8	195.4	-24.5
Net result from equity method investments	0.6	-0.4	9.6	11.3	2.9	6.2	13.1	17.1
Rental income from investment properties & other operating leases	137.2	131.3	45.5	50.4	6.7	-11.5	189.4	170.1
General administrative expenses	-2,121.6	-2,215.3	-1,823.2	-1,900.2	-236.3	-167.8	-4,181.1	-4,283.3
thereof depreciation and amortization	-151.4	-177.1	-231.0	-276.8	-89.5	-87.0	-472.0	-541.0
Gains/losses from derecognition of financial assets at AC	0.9	1.2	0.6	0.0	-1.4	-0.3	0.1	0.9
Other gains/losses from derecognition of financial instruments not at FVPL	2.1	-0.9	5.6	-1.4	-2.0	25.8	5.7	23.5
Impairment result from financial instruments	121.8	-12.5	-55.9	-11.9	-6.6	-14.8	59.3	-39.2
Other operating result	-21.2	54.4	-183.4	-365.8	-100.0	-316.8	-304.5	-628.2
Levies on banking activities	-7.6	-8.0	-89.2	-103.6	-15.4	-16.4	-112.2	-128.0
Pre-tax result from continuing operations	**1,215.7**	**1,274.7**	**1,599.8**	**1,569.5**	**-320.6**	**-514.5**	**2,495.0**	**2,329.7**
Taxes on income	-264.1	-280.7	-281.7	-307.1	213.4	169.2	-332.4	-418.7
Net result for the period	**951.6**	**994.0**	**1,318.1**	**1,262.4**	**-107.2**	**-345.4**	**2,162.5**	**1,911.1**
Net result attributable to non-controlling interests	306.7	387.7	47.9	45.7	14.4	7.5	369.1	440.9
Net result attributable to owners of the parent	**644.9**	**606.3**	**1,270.2**	**1,216.7**	**-121.6**	**-352.8**	**1,793.4**	**1,470.1**
Operating income	3,233.8	3,447.8	3,656.1	3,848.8	25.8	-40.7	6,915.6	7,255.9
Operating expenses	-2,121.6	-2,215.3	-1,823.2	-1,900.2	-236.3	-167.8	-4,181.1	-4,283.3
Operating result	**1,112.2**	**1,232.5**	**1,832.9**	**1,948.6**	**-210.5**	**-208.4**	**2,734.6**	**2,972.7**
Risk-weighted assets (credit risk, eop)	50,053	51,812	40,914	43,021	2,242	2,060	93,209	96,894
Average allocated capital	6,143	7,131	6,400	7,025	5,590	5,632	18,133	19,788
Cost/income ratio	65.6%	64.3%	49.9%	49.4%	>100%	>100%	60.5%	59.0%
Return on allocated capital	15.5%	13.9%	20.6%	18.0%	-1.9%	-6.1%	11.9%	9.7%
Total assets (eop)	156,325	158,921	107,377	112,600	-26,910	-25,828	236,792	245,693
Total liabilities excluding equity (eop)	126,772	126,184	96,790	101,011	-5,639	-1,979	217,923	225,216
Impairments	**105.9**	**-12.2**	**-111.3**	**-38.8**	**-37.0**	**-231.7**	**-42.3**	**-282.8**
Net impairment loss on financial assets AC	28.8	-58.0	-16.2	-47.9	25.9	-6.7	38.6	-112.5
Net impairment loss on financial assets FVOCI	0.6	-3.7	1.9	-0.1	1.0	-0.3	3.5	-4.2
Net impairment loss on finance lease receivables	11.2	16.5	-0.5	-9.0	-0.1	0.0	10.6	7.4
Net impairment loss on commitments and guarantees given	81.2	32.7	-41.2	45.1	-33.5	-7.8	6.6	70.0
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	-165.0	0.0	-165.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.3	0.0	0.0	0.0	-46.1	0.0	-45.8
Net impairment on other non-financial assets	-15.9	0.0	-55.4	-27.0	-30.3	-5.8	-101.6	-32.8

Geographical area – Austria

	EBOe & Subsidiaries		Savings Banks		Other Austria		Austria	
in EUR million	1-12 18	1-12 19	1-12 18	1-12 19	1-12 18	1-12 19	1-12 18	1-12 19
Net interest income	644.3	642.1	1,016.4	1,052.1	388.9	406.9	2,049.6	2,101.1
Net fee and commission income	386.4	398.9	459.8	490.6	224.6	240.7	1,070.8	1,130.1
Dividend income	6.8	6.9	8.9	6.1	2.7	4.5	18.4	17.6
Net trading result	7.3	16.9	1.9	26.8	-25.9	-45.2	-16.8	-1.5
Gains/losses from financial instruments at FVPL	3.3	12.2	-28.9	25.2	-0.3	32.2	-25.9	69.6
Net result from equity method investments	1.3	1.7	0.0	0.0	-0.7	-2.2	0.6	-0.4
Rental income from investment properties & other operating leases	38.7	39.2	39.4	39.3	59.1	52.7	137.2	131.3
General administrative expenses	-678.9	-717.1	-1,073.3	-1,120.1	-369.4	-378.1	-2,121.6	-2,215.3
thereof depreciation and amortization	-43.2	-55.1	-70.4	-83.2	-37.9	-38.8	-151.4	-177.1
Gains/losses from derecognition of financial assets at AC	-0.5	0.0	1.3	2.3	0.0	-1.1	0.9	1.2
Other gains/losses from derecognition of financial instruments not at FVPL	1.5	-0.3	0.6	-0.5	0.0	0.0	2.1	-0.9
Impairment result from financial instruments	14.3	-6.0	19.8	0.7	87.7	-7.3	121.8	-12.5
Other operating result	-40.6	-18.6	-6.4	24.5	25.9	48.5	-21.2	54.4
Levies on banking activities	-3.5	-3.6	-4.1	-4.3	0.0	-0.1	-7.6	-8.0
Pre-tax result from continuing operations	**383.8**	**375.9**	**439.4**	**547.1**	**392.5**	**351.7**	**1,215.7**	**1,274.7**
Taxes on income	-88.0	-88.4	-106.0	-127.8	-70.1	-64.4	-264.1	-280.7
Net result for the period	**295.8**	**287.5**	**333.4**	**419.2**	**322.4**	**287.3**	**951.6**	**994.0**
Net result attributable to non-controlling interests	17.6	24.3	279.8	354.5	9.3	9.0	306.7	387.7
Net result attributable to owners of the parent	**278.2**	**263.2**	**53.6**	**64.8**	**313.2**	**278.3**	**644.9**	**606.3**
Operating income	1,088.1	1,117.9	1,497.4	1,640.2	648.3	689.7	3,233.8	3,447.8
Operating expenses	-678.9	-717.1	-1,073.3	-1,120.1	-369.4	-378.1	-2,121.6	-2,215.3
Operating result	**409.2**	**400.8**	**424.1**	**520.1**	**278.9**	**311.6**	**1,112.2**	**1,232.5**
Risk-weighted assets (credit risk, eop)	12,162	12,536	23,334	24,670	14,557	14,607	50,053	51,812
Average allocated capital	1,582	1,756	2,741	3,218	1,820	2,157	6,143	7,131
Cost/income ratio	62.4%	64.1%	71.7%	68.3%	57.0%	54.8%	65.6%	64.3%
Return on allocated capital	18.7%	16.4%	12.2%	13.0%	17.7%	13.3%	15.5%	13.9%
Total assets (eop)	44,948	46,504	63,364	67,360	48,012	45,057	156,325	158,921
Total liabilities excluding equity (eop)	43,013	44,320	58,648	62,276	25,111	19,588	126,772	126,184
Impairments	**14.5**	**-7.1**	**20.2**	**1.8**	**71.2**	**-6.9**	**105.9**	**-12.2**
Net impairment loss on financial assets AC	4.0	-20.7	-8.1	-12.1	32.9	-25.1	28.8	-58.0
Net impairment loss on financial assets FVOCI	0.0	0.0	1.4	-0.2	-0.8	-3.5	0.6	-3.7
Net impairment loss on finance lease receivables	-0.6	0.5	0.3	-0.4	11.5	16.3	11.2	16.5
Net impairment loss on commitments and guarantees given	10.8	14.2	26.3	13.4	44.1	5.0	81.2	32.7
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.3
Net impairment on other non-financial assets	0.2	-1.2	0.4	0.8	-16.5	0.4	-15.9	0.0

Geographical area – Central and Eastern Europe

in EUR million	Czech Republic		Slovakia		Romania		Hungary		Croatia		Serbia		Central and Eastern Europe	
	1-12 18	1-12 19	1-12 18	1-12 19	1-12 18	1-12 19	1-12 18	1-12 19	1-12 18	1-12 19	1-12 18	1-12 19	1-12 18	1-12 19
Net interest income	1,062.2	1,141.1	438.7	433.6	394.5	428.0	198.8	213.5	273.7	275.1	50.7	58.4	2,418.7	2,549.7
Net fee and commission income	332.9	334.7	128.8	145.2	151.9	164.5	170.2	188.3	98.9	108.2	13.4	14.7	896.1	955.6
Dividend income	3.0	2.5	1.0	1.0	0.8	0.5	0.1	0.1	0.1	0.2	0.0	0.0	5.1	4.3
Net trading result	83.8	104.0	9.7	20.7	92.0	71.0	50.4	36.4	29.8	31.5	5.1	5.4	270.8	268.9
Gains/losses from financial instruments at FVPL	8.7	5.7	2.1	-2.0	4.0	3.2	-4.9	0.6	0.5	1.2	0.0	0.0	10.4	8.7
Net result from equity method investments	2.1	4.1	5.5	6.1	0.6	-0.1	0.0	0.0	1.4	1.2	0.0	0.0	9.6	11.3
Rental income from investment properties & other operating leases	8.6	8.4	0.3	1.2	16.8	20.8	3.8	7.0	15.8	12.9	0.1	0.1	45.5	50.4
General administrative expenses	-714.5	-753.9	-279.6	-288.7	-354.6	-359.0	-212.4	-216.9	-212.5	-223.1	-49.6	-58.7	-1,823.2	-1,900.2
thereof depreciation and amortization	-78.0	-101.4	-42.8	-46.9	-42.5	-51.0	-34.2	-39.2	-30.7	-33.5	-2.8	-4.9	-231.0	-276.8
Gains/losses from derecognition of financial assets at AC	0.6	0.3	0.0	0.1	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.2	0.6	0.0
Other gains/losses from derecognition of financial instruments not at FVPL	0.3	-1.1	-0.1	-0.5	0.5	-6.2	1.1	6.0	3.7	0.2	0.1	0.1	5.6	-1.4
Impairment result from financial instruments	-11.2	6.2	-23.5	-42.7	-26.0	13.0	36.3	18.2	-33.1	-5.8	1.7	-0.8	-55.9	-11.9
Other operating result	-50.4	-26.8	-40.2	-38.7	-18.9	-194.5	-68.2	-67.3	-5.1	-38.3	-0.6	-0.3	-183.4	-365.8
Levies on banking activities	0.0	0.0	-30.3	-32.5	0.0	-11.0	-58.9	-60.2	0.0	0.0	0.0	0.0	-89.2	-103.6
Pre-tax result from continuing operations	**726.2**	**825.3**	**242.8**	**235.3**	**261.5**	**141.2**	**175.1**	**185.9**	**173.3**	**163.2**	**20.8**	**18.7**	**1,599.8**	**1,569.5**
Taxes on income	-144.0	-158.7	-53.4	-47.5	-41.3	-56.1	-8.3	-12.7	-33.2	-30.8	-1.5	-1.1	-281.7	-307.1
Net result for the period	**582.3**	**666.5**	**189.4**	**187.7**	**220.2**	**85.1**	**166.8**	**173.2**	**140.1**	**132.3**	**19.4**	**17.6**	**1,318.1**	**1,262.4**
Net result attributable to non-controlling interests	-0.5	0.0	0.0	0.0	0.3	0.1	0.0	0.0	44.4	42.0	3.8	3.5	47.9	45.7
Net result attributable to owners of the parent	**582.8**	**666.5**	**189.4**	**187.7**	**219.9**	**85.0**	**166.8**	**173.2**	**95.7**	**90.3**	**15.5**	**14.0**	**1,270.2**	**1,216.7**
Operating income	1,501.4	1,600.5	586.1	605.7	660.6	688.0	418.4	445.8	420.3	430.3	69.3	78.5	3,656.1	3,848.8
Operating expenses	-714.5	-753.9	-279.6	-288.7	-354.6	-359.0	-212.4	-216.9	-212.5	-223.1	-49.6	-58.7	-1,823.2	-1,900.2
Operating result	**786.9**	**846.6**	**306.6**	**317.0**	**306.0**	**329.0**	**206.0**	**229.0**	**207.8**	**207.2**	**19.7**	**19.9**	**1,832.9**	**1,948.6**
Risk-weighted assets (credit risk, eop)	18,373	17,815	6,310	7,209	5,954	6,521	3,816	4,226	5,005	5,638	1,456	1,612	40,914	43,021
Average allocated capital	2,492	2,504	914	1,066	1,266	1,452	802	977	734	790	191	237	6,400	7,025
Cost/income ratio	47.6%	47.1%	47.7%	47.7%	53.7%	52.2%	50.8%	48.6%	50.6%	51.9%	71.6%	74.7%	49.9%	49.4%
Return on allocated capital	23.4%	26.6%	20.7%	17.6%	17.4%	5.9%	20.8%	17.7%	19.1%	16.8%	10.1%	7.4%	20.6%	18.0%
Total assets (eop)	55,455	57,412	17,435	18,614	15,340	15,673	7,987	8,932	9,378	9,905	1,782	2,064	107,377	112,600
Total liabilities excluding equity (eop)	50,685	52,004	15,930	16,999	13,546	13,902	6,872	7,715	8,179	8,601	1,580	1,790	96,790	101,011
Impairments	**-36.8**	**4.8**	**-24.2**	**-41.8**	**-49.0**	**-9.3**	**32.2**	**16.8**	**-35.2**	**-8.5**	**1.7**	**-0.8**	**-111.3**	**-38.8**
Net impairment loss on financial assets AC	13.9	-24.4	-26.0	-45.1	-11.2	3.6	35.1	18.8	-28.7	-0.1	0.7	-0.7	-16.2	-47.9
Net impairment loss on financial assets FVOCI	2.1	-0.3	0.0	0.0	-0.2	0.1	0.0	-0.1	-0.3	0.2	0.4	0.0	1.9	-0.1
Net impairment loss on finance lease receivables	-1.6	0.8	0.1	-3.6	-0.2	-3.9	0.9	-2.3	0.4	-0.1	0.0	0.2	-0.5	-9.0
Net impairment loss on commitments and guarantees given	-25.6	30.2	2.4	6.0	-14.4	13.3	0.2	1.9	-4.5	-5.8	0.7	-0.3	-41.2	45.1
Impairment of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on investments in subsidiaries, joint ventures and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net impairment on other non-financial assets	-25.6	-1.4	-0.7	0.9	-23.0	-22.4	-4.1	-1.4	-2.0	-2.6	0.0	0.0	-55.4	-27.0

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

Assets and liabilities not denominated in EUR

in EUR million	Dec 18	Dec 19
Assets	83,389	86,290
Liabilities	67,582	64,877

Assets and liabilities outside Austria

in EUR million	Dec 18	Dec 19
Assets	137,639	147,865
Liabilities	101,897	104,816

Return on assets (net profit for the year divided by average total assets) was 0.79% at 31 December 2019 (2018: 0.95%).

41. Leases

Leases where the Group is a lessor

Finance leases

Erste Group leases both movable property and real estate to other parties under finance lease arrangements. For 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 18	Dec 19
Outstanding lease payments	3,392	4,082
Non-guaranteed residual values	598	200
Gross investment	**3,990**	**4,283**
Unrealised financial income	303	316
Net investment	**3,688**	**3,967**
Present value of non-guaranteed residual values	563	181
Present value of outstanding lease payments	**3,125**	**3,786**

In 2019, Erste Group reviewed the estimated unguaranteed residual values and reassessed a residual value risk which is taken by the lessee or a third party. As a consequence, the allocated non-guaranteed residual values decreased.

For details related to credit loss allowance of finance lease receivables please refer to Note 21 Finance lease receivables.

Maturity analysis of leases by residual maturities under IFRS 16

	Dec 19	
in EUR million	Gross investment	Present value of outstanding lease payments
< 1 year	984	892
1-2 years	859	793
2-3 years	744	683
3-4 years	580	532
4-5 years	393	361
> 5 years	722	525
Total	**4,283**	**3,786**

During 2019, Erste Group recognised interest income on lease receivables in the amount of EUR 118.3 million (2018: EUR 98.3 million). Income from variable lease payments not included in the net investment was recognised in the amount of EUR 0.2 million.

Maturity analysis of leases by residual maturities under IAS 17

	Dec 18	
in EUR million	Gross investment	Present value of minimum lease payments
< 1 year	852	664
1-5 years	2,340	1,947
> 5 years	798	514
Total	**3,990**	**3,125**

The total amount of contingent rents from finance leases recognised as income during 2018 was EUR 1.2 million.

Operating leases

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

Maturity analysis of lease payments from operating leases under IFRS 16

in EUR million	Dec 19
< 1 year	129
1-2 years	106
2-3 years	93
3-4 years	75
4-5 years	63
> 5 years	137
Total	**603**

During 2019, Erste Group recognised income relating to variable lease payments in the amount of EUR 4.8 million. For information about rental income please refer to Note 6 Rental income from investment properties and other operating leases.

Minimum lease payments from non-cancellable operating leases under IAS 17

in EUR million	Dec 18
< 1 year	47
1-5 years	160
> 5 years	54
Total	**261**

The total amount of contingent rents from operating leases recognised as income during 2018 amounted to EUR 11.4 million.

Leases where the Group is a lessee

Erste Group primarily rents real estate's such as buildings and land for headquarters, branches and parking lots. In addition, movables such as IT equipment and ATMs are rented for business operations. For details related to right of use assets capitalized in balance sheet arising from leases where Erste Group is lessee, please see Note 28 Property, plant and equipment.

Maturity analysis of lease liabilities under IFRS 16 on the basis of undiscounted cash flows

in EUR million	Dec 19
< 1 year	85
1-5 years	275
> 5 years	198
Total	**558**

During 2019, interest expenses on lease liabilities were recognised in the amount of EUR 24.6 million. In addition expenses in the amount of EUR 6.4 million relating to short term leases and expenses amounting to EUR 5.3 million relating to leases of low value items, for which the recognition exemption of IFSR 16 applies, were recognised. Gains arising from sale and leaseback transactions in the amount of EUR 3,5 million were recognised. Total cash outflow for leases in 2019 was EUR 100.0 million.

The Group has commitments for future cash outflows which are not reflected in the measurement of lease liabilities as of 31 December 2019. The Group signed rental agreement during 2019 with commencement date February 2021 and lease term 15 years. The total undiscounted cash flow amounts to EUR 71,0 million (without considering consumer price indexation).

Minimum lease payments from non-cancellable operating leases under IAS 17

in EUR million	Dec 18
< 1 year	78
1-5 years	202
> 5 years	92
Total	**372**

In 2018, lease payments from operating leases recognised as expense in the period amounted to EUR 85.4 million.

42. 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 2019, DIE ERSTE oesterreichische Spar-Casse Privatstiftung (ERSTE Foundation), a foundation, holds together with its partners to shareholder agreements approximately 30.39% (2018: 29.99%) of the shares in Erste Group Bank AG and is with 16.46% (2018:16.21%) main shareholder. The ERSTE Foundation is holding 6.37% (2018: 6.49%) of the shares directly, the indirect participation of the ERSTE Foundation amounts to 10.09% (2018: 9.72%) of the shares held by Sparkassen Beteiligungs GmbH & Co KG, which is an affiliated company of the ERSTE Foundation. 0.93% (2018: 0.78%) are held directly by saving banks foundations acting together with the ERSTE Foundation and affiliated with Erste Group Bank AG through the Haftungsverbund/IPS Fonds. 9.92% (2018: 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% (2018: 3.08%) are held by other partners to other shareholder agreements.

In 2019 (for the financial year 2018), ERSTE Foundation received a dividend of EUR 67.5 million (2017: EUR 57.5 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 2019, Mario Catasta (chairman), Boris Marte (vice chairman) and Franz Portisch were members of ERSTE Foundation’s management board. The supervisory board of ERSTE Foundation had eight members at the end of 2019, 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 2019, Erste Group had in relation to the ERSTE Foundation accounts payable of EUR 8.2 million (2018: EUR 25.4 million). In addition, ERSTE Foundation held bonds issued by Erste Group Bank AG in the amount of EUR 7.3 million (2018: EUR 9.7 million). The above-mentioned transactions resulted in interest expenses of EUR 0.3 million (2018: EUR 0.3 million).

As of 31 December 2019 CaixaBank S.A. with headquarters in Valencia, Spain held a total of 42,634,248 (2018: 42,634,248) Erste Group Bank AG shares, equivalent to 9.92% (2018: 9.92%) of the share capital of Erste Group Bank AG. One seat, for which CaixaBank S.A. has a nomination right according to the shareholders agreement, is occupied by Jordi Gual Sole (chairman of the board of CaixaBank S.A.), since the annual general meeting from 2017. The second seat for which CaixaBank S.A. has a nomination right according to the shareholders agreement is occupied by Matthias Bulach (member of the management board of CaixaBank S.A.) since the annual general meeting from 2019.

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 2019 (for the financial year 2018), CaixaBank S.A. received a dividend of EUR 59.7 million (2017: EUR 51.2 million) based on its stake in Erste Group Bank AG.

Balances and off-balance exposures with related parties

in EUR million	Dec 18 Subsidiaries - not consolidated	Dec 18 Associated entities	Dec 18 Joint ventures	Dec 19 Subsidiaries - not consolidated	Dec 19 Associated entities	Dec 19 Joint ventures
Selected financial assets	**88**	**521**	**184**	**143**	**555**	**209**
Equity instruments	3	45	0	97	74	11
Debt securities	5	15	0	0	6	0
Loans and advances	79	461	184	45	474	198
Loans and advances credit institutions	0	22	0	0	1	0
Loans and advances customers	79	439	184	45	473	198
of which impaired	14	0	0	1	0	0
Selected financial liabilities	**53**	**109**	**13**	**28**	**119**	**10**
Deposits	53	109	13	28	119	10
Deposits from banks	0	7	0	0	10	0
Deposits from customers	53	102	12	28	109	10
Loan commitments, financial guarantees and other commitments given (notional amount)	16	155	98	20	190	51
of which defaulted	2	0	0	1	0	0
Loan commitments, financial guarantees and other commitments received (notional amount)	1	0	0	0	0	0
Derivatives (notional amount)	0	53	0	0	0	0
Credit loss allowances and provisions	7	0	0	13	0	0

Expenses/Income generated by transactions with related parties

in EUR million	1-12 18 Subsidiaries - not consolidated	1-12 18 Associated entities	1-12 18 Joint ventures	1-12 19 Subsidiaries - not consolidated	1-12 19 Associated entities	1-12 19 Joint ventures
Interest income	1	6	3	1	7	3
Fee and commission income	0	1	0	0	1	1
Dividend income	1	6	3	3	6	1
Rental income from operating leasing	0	0	0	0	0	0
Interest expenses	0	-1	0	0	0	0
Fee and commission expenses	-1	-2	0	-1	-2	0
Expenses from impairment of financial instruments	0	-1	0	-15	0	0
Income from impairment of financial instruments	2	0	0	0	0	0

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 2019 is as follows:

Fixed salaries

in EUR thousand	1-12 18	1-12 19
Bleier Ingo (since 1 July 2019)	0	350
Bosek Peter	700	700
Brávek Petr	700	700
Cernko Willibald (until 30 June 2019)	700	350
Dörfler Stefan (since 1 July 2019)	0	350
Habeler-Drabek Alexandra (since 1 July 2019)	0	350
Mittendorfer Gernot (until 30 June 2019)	700	350
Síkela Jozef (until 30 June 2019)	700	350
Spalt Bernhard (from 1 July 2019 Deputy CEO)	0	350
Treichl Andreas (CEO)	1,475	1,475
Total	**4,975**	**5,325**

In addition to his role as board member in the Holding, Peter Bosek assumed the position as CEO of Erste Bank Oesterreich as of 1 July 2019. A portion of his remuneration is charged out to this entity.

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 2019, performance-linked remuneration and share-equivalents were paid out or vested for the financial year 2018 and for previous financial years.

Performance-linked remuneration

	1-12 18				1-12 19			
	Upfront bonus for performance period 2017		Deferred bonus for previous performance periods		Upfront bonus for performance period 2018		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
Bleier Ingo (since 1 July 2019)	0	0	0	0	0	0	0	0
Bosek Peter	128	4,853	84	3,387	161	4,446	132	4,843
Brávek Petr	158	4,853	84	3,387	164	4,446	132	4,843
Cernko Willibald (until 30 June 2019)	160	4,853	0	0	164	4,446	48	1,456
Dörfler Stefan (since 1 July 2019)	0	0	0	0	0	0	0	0
Habeler-Drabek Alexandra (since 1 July 2019)	0	0	0	0	0	0	0	0
Mittendorfer Gernot (until 30 June 2019)	160	4,853	110	4,762	164	4,446	141	5,213
Síkela Jozef (until 30 June 2019)	135	4,853	84	3,387	139	4,446	132	4,843
Spalt Bernhard (from 1 July 2019 Deputy CEO)	0	0	0	0	0	0	0	0
Treichl Andreas (CEO)	317	10,738	277	12,245	365	10,845	326	12,146
Total	**1,058**	**35,003**	**639**	**27,168**	**1,157**	**33,075**	**911**	**33,344**

The share-equivalents were firmly promised due to the performance of the previous year. Pay-outs will be made in the year 2019 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 2019 in the amount of EUR 32.08 (2018: EUR 36.88) per share.

Erste Group offers to its board members the bonus program in each year. It relates to the services rendered by the board members in that year (further ‘performance period’). The actual bonus payments are divided into an upfront tranche in the following year and five deferred tranches in the subsequent years. The decision to pay out the upfront and the deferred tranches to board members in a given year depends on the results and the capital ratios of Erste Group Bank AG (further ‘performance conditions’) in the performance period. This decision is taken by a remuneration committee (further ‘the Committee’). If in a specific year the Committee decides that the performance conditions in the performance period have not been fulfilled the first and the deferred tranches for the current year are cancelled. Also, the deferred tranches related to previous service periods may be cancelled.

The total amount of the bonus related to a particular service year is decided by the Committee in April of the following year. This decision also means that the upfront tranche will be paid out. The upfront tranche, depending on the bonus amount granted to a board member, 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 two years after the performance period and it depends on the performance in the previous year (i.e. one year after the performance period). The same logic applies to the remaining deferred tranches. Both the upfront tranche and the deferred tranches are split into two equal parts. 50% of the bonuses are paid out in cash in May after the bonus payout decision is taken by the Committee in a specific year (the ‘cash part’). 50% 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 (the ‘share-equivalents part’). 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 10,000 times the average price of the shares in the year the payout decision is taken (e.g. share price of EUR 30 would result in EUR 300,000 cash amount). The cash amount is paid out in the next year.

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 services are received. With the deferred tranches the bank remunerates sustainable decisions taken by the board member in the performance period that impact the later business years. Thus the bank receives the full service that is compensated with the upfront 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 Committee in April of the following year. After the performance period the liability is measured by using the average stock price of the performance year.

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, i.e. the performance period. 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 2018 and unpaid deferred tranches from the previous years was EUR 33.8 million (2018: EUR 38.8 million) for the share-equivalents part (IFRS 2). For the performance period 2019 there is no IFRS 2 liability assigned to the share-equivalents part as the decision about the payment and the amount will be taken by the Committee in April 2020. A provision is recognised instead.

Other remuneration

in EUR thousand	1-12 18	1-12 19
Bleier Ingo (since 1 July 2019)	0	64
Bosek Peter	138	140
Brávek Petr	139	371
Cernko Willibald (until 30 June 2019)	134	72
Dörfler Stefan (since 1 July 2019)	0	65
Habeler-Drabek Alexandra (since 1 July 2019)	0	65
Mittendorfer Gernot (until 30 June 2019)	140	76
Síkela Jozef (until 30 June 2019)	138	75
Spalt Bernhard (from 1 July 2019 Deputy CEO)	0	65
Treichl Andreas (CEO)	644	644
Total	**1,333**	**1,637**

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

The members of the management board of Erste Group were granted a remuneration of 0.4% (2018: 0.4%) of the total personnel expenses for their activities in the financial year 2019.

In 2019 EUR 1,941,320.82 (2018: EUR 1,081,648.86) was paid in cash and EUR 4,862 (2018: EUR 8,392) share-equivalents were asigned to former board members and their dependents.

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 18	1-12 19
Supervisory board compensation	860	840
Meeting fees	240	235
Total	**1,100**	**1,075**

The members of the supervisory board of Erste Group Bank AG were granted a total remuneration of EUR 1,075 thousand (2018: EUR 1,100 thousand) for their activities in the financial year 2018. 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 106,000.00, Jan Homan EUR 17,300.00, Gunter Griss EUR 24,000.00, Maximilian Hardegg EUR 63,490.00, Elisabeth Krainer Senger-Weiss EUR 55,000.00, Brian D. O’Neill EUR 50,000.00 und John James Stack EUR 98,324.00.

Pursuant to the decision at the Annual General Meeting of 15 May 2019, 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 2019 and the following years:

in EUR	Number	Allowance per person	Total allowance
Chairperson	1	150,000	150,000
1st Vice Chairperson	1	90,000	90,000
2nd Vice Chairperson	1	80,000	80,000
Members	10	60,000	600,000
Total	**13**		**920,000**

Furthermore the chairmen of the risk committee, the audit committee and the IT committee are granted an additional yearly remuneration of EUR 10,000 for each person, the chairmen of the remuneration committee and the nomination committee of EUR 5,000 for each person.

The supervisory board consists of at least three and a maximum of fourteen 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 2019, loans and advances granted to members of the management board and supervisory board totalled EUR 2,674 thousand (2018: EUR 3,348 thousand). Deposits of members of the management board and supervisory board at Erste Group amounted to EUR 10,596 thousand (2018: EUR 3,971 thousand) in total. Members of the management and supervisory board held bonds issued by Erste Group in the amount of EUR 253 thousand (2018: EUR 332 thousand). Loan commitments and financial guarantees, issued in favour of members of the management and supervisory board totalled EUR 4,136 thousand (2018: EUR 3,819 thousand) as of the end of 2019. From banking transactions with members of the management board and supervisory board Erste Group received interest income and fee income of EUR 23 thousand (2018: EUR 37 thousand) in total, and paid interest expense of EUR 7 thousand (2018: EUR 4 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 34,639 thousand (2018: EUR 7,671 thousand) as of 31 December 2019. As of the end of 2019, deposits of other related parties at Erste Group amounted to EUR 38,641 thousand (2018: EUR 4,463 thousand) in total. As of 31 December 2019 other related parties held bonds issued by companies of Erste Group in the total amount of EUR 12,060 thousand (2018: EUR 11,090 thousand). Loan commitments and financial guarantees, issued in favour of other related parties totalled EUR 1,782 thousand (2018: EUR 287 thousand) as of the end of 2019. From banking transactions with other related parties Erste Group received interest income and fee income of EUR 1,005 thousand (2018: EUR 1,383 thousand) in total, and paid interest and fee expenses of EUR 15 thousand (2018: EUR 642 thousand).

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

43. Collaterals

Carring amount of financial assets pledged as collaterals

in EUR million	Dec 18	Dec 19
Financial assets at AC	18,278	24,390
Trading assets	186	430
Non-trading financial assets at FVPL	121	97
Financial assets at FVOCI	562	862
Total	**19,147**	**25,780**

The financial assets pledged as collateral consist of loans and advances to customers, bonds and other interest-bearing securities. Collaterals were pledged as a result of repurchase transactions, refinancing transactions with the respective National 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 collateral provider's default was EUR 23,776.3 million (2018: EUR 18,726.0 million). Collateral with fair value of EUR 1.654.5 million (2018: EUR 1,511.0 million) was resold. Collateral with fair value of EUR 400.6 million (2018: EUR 563.9 million) was repledged. The bank is obliged to return the resold and repledged collateral.

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

	Dec 18		Dec 19	
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	**931**	**890**	**1,703**	**1,645**
Financial assets at AC	634	612	741	717
Trading assets	85	71	383	381
Non-trading financial assets at FVPL	0	0	2	2
Financial assets at FVOCI	212	207	578	545
Securities lendings	**441**	**168**	**1,510**	**0**
Financial assets at AC	325	168	1,401	0
Trading assets	78	0	47	0
Non-trading financial assets at FVPL	37	0	37	0
Financial assets at FVOCI	0	0	26	0
Total	**1,372**	**1,058**	**3,214**	**1,645**

The transferred financial instruments consist of bonds and other interest-bearing securities. The total amount of transferred financial assets represent the carrying amount of financial assets in the respective balance sheet positions for which the transferee has a right to sell or repledge. The associated liabilities from repo transaction, 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:

	Dec 18			Dec 19		
in EUR million	Fair value of transferred assets	Fair value of associated liabilities	Net position	Fair value of transferred assets	Fair value of associated liabilities	Net position
Financial assets at AC	646	612	34	791	718	73
Trading assets	85	71	14	383	381	2
Non-trading financial assets at FVPL	0	0	0	2	2	0
Financial assets at FVOCI	212	207	5	578	545	32
Total	**943**	**890**	**53**	**1,753**	**1,646**	**107**

45. 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 19				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	Other financial collateral received	Net amount after potential offsetting
Derivatives	4,902	1,967	2,936	1,520	849	0	567
Reverse repurchase agreements	20,778	0	20,778	0	7	20,604	167
Total	**25,680**	**1,967**	**23,713**	**1,520**	**856**	**20,604**	**734**

Financial liabilities subject to offsetting and potential offsetting agreements

Dec 19				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 pledged	Other financial collateral pledged	Net amount after potential offsetting
Derivatives	4,022	1,748	2,275	1,520	270	5	479
Repurchase agreements	3,082	0	3,082	0	14	2,859	209
Total	**7,104**	**1,748**	**5,357**	**1,520**	**284**	**2,865**	**688**

Financial assets subject to offsetting and potential offsetting agreements

Dec 18				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	Other financial collateral received	Net amount after potential offsetting
Derivatives	4,612	1,442	3,170	1,627	1,133	0	409
Reverse repurchase agreements	16,621	0	16,621	0	29	16,495	97
Total	**21,232**	**1,442**	**19,790**	**1,627**	**1,163**	**16,495**	**506**

Financial liabilities subject to offsetting and potential offsetting agreements

Dec 18				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 pledged	Other financial collateral pledged	Net amount after potential offsetting
Derivatives	3,568	1,291	2,277	1,627	265	3	382
Repurchase agreements	2,875	0	2,875	0	4	2,846	26
Total	**6,444**	**1,291**	**5,153**	**1,627**	**269**	**2,849**	**407**

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 (gross)'. The net position between the offset derivative amounts EUR 219 million (2018: EUR 151 million) is further offset with variation margin balances presented under balance sheet items ‘Cash and cash balances’ in amount EUR 58 million (2018: EUR 38 million) and ‘Financial liabilities measured at amortised cost ’, sub-item ‘Deposits from banks’ in amount of EUR 277 million (2018: EUR 189 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 other financial collaterals the effects are disclosed in columns ‘Cash collateral received / pledged’ and ‘Other financial collateral 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 ‘Other 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 other financial collateral involved in these transactions is restricted from being used it by the transferor during the time of the pledge.

46. Risk management

Risk policy and strategy

A core function of a bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a bank's fundamental financial health and operational business success.

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

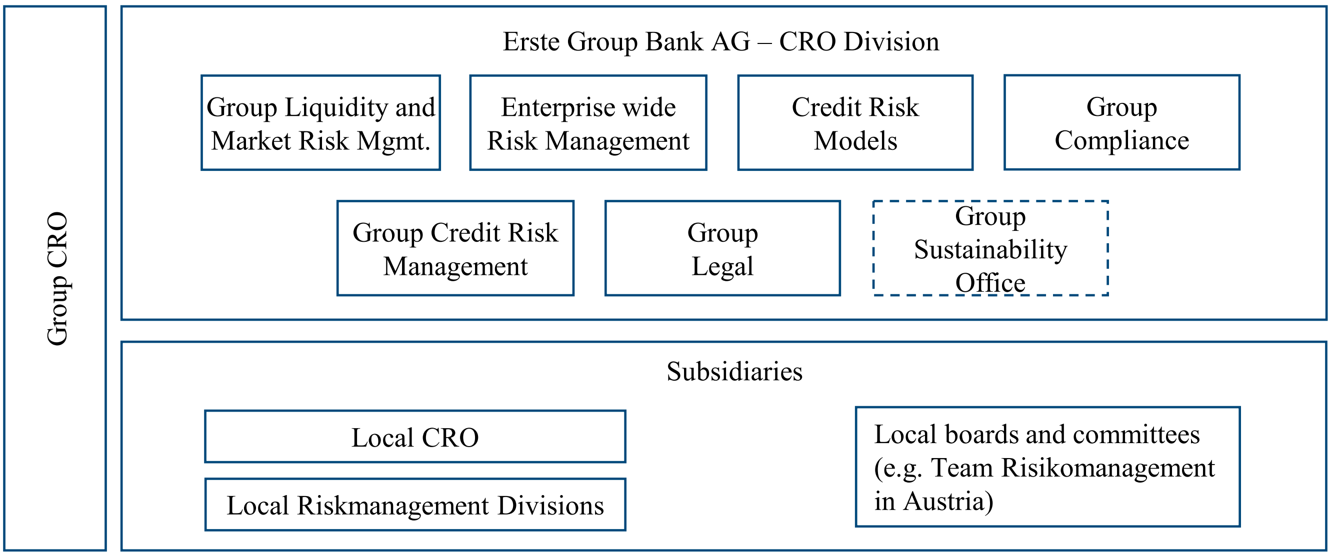
In 2019, management has continued to steer credit portfolios, including active management of non-performing exposures to further strengthen the risk profile (e.g. enhanced workout measures, monitoring and reporting of long-term operational plans for legacy stock of non-performing loans and inflow of new non-performing loans etc.). This has been demonstrated in particular by the continuous improvement of credit quality and the ongoing decrease of non-performing loans and low risk costs.

Erste Group Bank AG uses the Internet as the medium for publishing its disclosures under Article 434 of the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms (Capital Requirements Regulation - CRR) and Regulation (EU) No. 876/2019 amending Regulation (EU) No. 575/2013. 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'.

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 organisation:



In 2019, it was decided to adjust the Group CRO area's structure. The changes addressed the following:
_ the division Group Non Financial Risk with the related Operational Risk tasks were integrated into Enterprise wide Risk Management;
_ the staff unit 'Executive Divisional Director Strategic Risk' was dissolved.

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 Compliance;
- Group Credit Risk Management;
- Group Legal;
- Group Sustainability Office;
- Local Chief Risk Officers.

Group Liquidity and Market Risk Management

The division Group Liquidity and Market Risk Management (GLMRM) comprises all market and liquidity risk functions in Erste Group. This division is responsible for steering, measuring, and controlling 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, the department is responsible for setting, controlling, and monitoring 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 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 for Pillar 1 and Pillar 2 purposes Furthermore is the validation unit responsible for the verification of the valuation models. The review of the implementation of the developed methods and models in the respective systems is also covered by the validation unit.

Enterprise wide Risk Management

Enterprise wide Risk Management (ERM) focuses 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 Stresstesting, Group ICAAP, Group Risk Reporting, Planning & Risk Cost Management and Group Operational & Non-Financial Risk.

The Credit RWA Management and Stresstesting 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 conducting both internal and regulatory stress testing and maintaining the Group's stress testing framework. In terms of RWA the department is responsible for the methodology and infrastructure of the credit RWA calculation as well as the implementation of changes in the regulatory framework. In stress testing the department oversees the design, governance, organisation and implementation of the macro stress testing processes as well as the credit risk calculation. Further, the credit risk simulation tools are used to provide estimated impacts resulting from planned changes in the RWA calculation. In addition, the department is responsible for the design and governance of risk concentration analyses and forward-looking information (FLI).

The department Group ICAAP covers ICAAP methods, limit steering, as well as the Group's recovery and resolution planning activities. The department supports the management in ensuring adequate capital capacity that reflects the nature and magnitude of the Group's risk portfolio. The mission 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. Furthermore, the department is responsible for the annual update of the recovery plan of Erste Group and coordinates the departments involved in such update. It also supports local entities 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.

Group Risk Reporting, Planning & Risk Cost Management is in charge of data extraction, consistency and plausibility checks, analysis and reporting to senior management, regulators, auditors, and rating agencies. Its tasks also comprise in coordination and preparation of comprehensive risk reports covering all risk types and it is involved in the implementation of regulatory and financial reporting requirements. Furthermore, it is responsible for the maintenance of the Group's standardised credit risk reporting systems and also takes responsibility for the technical implementation of new regulatory and financial reporting requirements. In terms of planning activities, the responsibilities of the department include the design, governance, organisation and implementation of risk planning processes that ensure the contribution of risk-side input to regular planning rounds and that cover monthly and quarterly forecasts of selected key risk indicators. In terms of risk cost management, it takes care of group-wide standards for determining credit loss allowances and pricing for credit risk as well as for determining and monitoring credit loss allowances at Erste Group Bank AG. It draws up group policies for those areas as well as performs validations of expected credit loss models for all Group entities, of stress test models and of the Advanced Measurement Approach (AMA) model for operational risks.

The Group Operational & Non-Financial Risk department ensures the effective, integrative and holistic implementation of the operational risk objectives, including the support of risk mitigating measures. The department acts as the central and independent risk management unit for identification, measurement and steering of operational risk within Erste Group and is responsible for maintaining the model for the calculation of capital requirements relating to operational risk.

Credit Risk Models

The Credit Risk Models area consists of Model Development, Model Validation and Model Landscape units. The area has responsibility for the overall model governance across the model lifecycle.

The model development follows a subsidiarity model approach, which means responsibilities are assigned to the lowest level that can effectively execute. Local models are developed locally in line with group standards and group-wide models are developed centrally. The function is responsible for development and maintenance of models, including coordination of model approval process and oversight of the implementation steps.

The model validation is organized as a Hub-and-Spoke model, which means that all validation responsibilities are bundled within the Holding unit Model Validation, however local banks remain responsible for the sign-off of the results and for taking appropriate action. Model validation is responsible to independently challenge model development and make certain that all IRB approach models (models according to the internal ratings-based approach) used within the Group are suitable for the purpose they were created for. It verifies that models are performing as expected, in line with their design objectives and intended business uses, as well as in line with regulatory requirements and internal group standards.

The ongoing monitoring of the models in use follows a subsidiarity model analogue to model development: Local banks are monitoring local models in local banks and Holding monitors group-wide models and any local models used by the group. Holding remains responsible for setting the standards and approach for model monitoring to ensure a consistent application throughout the Group.

Model Landscape plays a key role in the centralized model reporting, across the entire model lifecycle. The unit is responsible for the model risk governance role within the Credit Risk Models area, including project management of model change and other initiatives in the area. Model Landscape deals with strategic planning of model changes (e.g. IRB Models stock-take planning, IRB Rollout plan), oversight of model lifecycle process execution and management and maintenance of Model Inventory. In addition, the unit acts as an operative owner of the Holding Model Committee (HMC) and internal model risk governance related regulations.

Group Compliance

In line with Austrian Securities Supervision Act, the Austrian Stock Exchange Act, the Financial Market Money Laundering Act, the Beneficial Owner Registry Act, the Sanctions Act, the General Data Protection Regulation (GDPR) and the Austrian Banking Act, as well as the respective supranational and EU laws, the following departments are responsible for compliance risks.

The responsibilities of Group AML (Anti-Money Laundering), CTF (Counter-Terrorist Financing) and Fraud Prevention are to ensure group steering and implementation of measures to prevent money laundering, terrorism financing (supported by group-wide systems) and fraud (especially related to all areas such as credit, payments, cards, cash, securities and trading, procurement, payroll and embezzlement) to comply with applicable laws and regulations within Erste Group including all group members, branch offices and branch establishments in Austria and abroad. In addition, its staff unit Group Correspondent Banking Compliance supports and controls the international payment hub function of Erste Group and fosters correspondent banking relationships with international banks by supervising and controlling customer and transactions in accordance with Erste Group's risk ambition and to be furthermore in compliance with internationally accepted standards.

Group Financial Sanctions is responsible for the group management and implementation of relevant statutory provisions, internationally recognized risk management standards and measures to comply with financial sanctions and embargoes. All necessary measures for compliance with financial sanctions and embargo guidelines within Erste Group, including all Group members, branches of Erste Group and branches in Austria and abroad, are also defined by Group Financial Sanctions. Monitoring and control activities relate in particular to customer relationships, business partners and transactions of all kinds within the scope of the Bank's business and non-business activities.

Group Securities Compliance and its staff unit Group Markets Compliance is in charge of implementing the provisions of relevant legislation (e.g. MAR/MAD II, MiFIR/MiFID II), guidelines of regulatory authorities and standards applicable for the banking industry to prevent, on a group-wide level, insider trading, market manipulation and other misconduct in securities business. Among others, the key tasks of both units are: group-wide identification and management of conflicts of interest when providing investment services utilising local contacts with system support; market manipulation surveillance for Erste Group Bank AG, savings banks (Sparkassen) and other Austrian entities; aligning market manipulation suspicions group-wide with system support; and personal account controls for entities in Austria.

The Group Data Protection Office function and the Data Protection Officer (DPO) as stipulated by GDPR both for the Group as well as locally for Erste Group Bank, Erste Bank Oesterreich, and the savings banks (Sparkassen). Its tasks include advising the data controller and other stakeholders; monitoring data protection and GDPR compliance, both as regards to the organisation as such and the governance framework; and proper legal, organisational and technical implementation of specific data processing. Finally the DPO is the single point of contact to the Data Protection Authority.

Group Central Compliance and Strategy is a department in Group Compliance which acts as overarching management unit between compliance functions as well as governance function towards Erste Group subsidiaries and branches. Its responsibilities include the definition and management of the Group Compliance Strategy and Compliance Plan, the definition and management of the compliance governance framework as well as the development and performance of the data analytics and risk assessment capability.

Group Credit Risk Management

The newly organised Group Credit Risk Management manages operative risk in underwriting and workout activities 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.

The decision to integrate Group Workout into Group Credit Risk Management was taken in Q4 2018 under consideration of the successful run-down of the NPL portfolio over the past years and the limited stock size. The new set-up allows for full capitalization of the internally available knowledge of the customers and their business challenges throughout the full credit cycle and fosters exchange of viable information and lessons learned. In order to mitigate any potential conflict of interests, appropriate provisions have been made, including clear responsibilities in line with the three lines of defence model, dedicated decision-making governance for performing and non-performing clients and clearly defined transfer criteria and the client management model for clients in workout.

Group Credit Risk Management consists of seven departments: Group EBA - Erste Business Analysis, Credit Underwriting Corporates, Credit Underwriting Financial Institutions and Sovereigns, Credit Underwriting Real Estate, Group Corporate Workout, Corporate Portfolio Monitoring and Management, and Group Portfolio Steering Corporate and Retail.

The department Group EBA - Erste Business Analysis is responsible for group-wide standards for company analyses and preparing these analyses. In addition, Group EBA performs assessments of the market value for all commercial real estate collateral for Erste Group Bank AG and Erste Group Immorent GmbH, produces regular real estate market research reports for Erste Group's core markets, and is responsible for the group financial analysis tool SABINE. The Central Corporate Rating Unit Desk, as part of Group EBA, acts as single point of contact for all operative issues related to corporate and specialised lending ratings within Group Credit Risk Management.

Credit Underwriting Corporates is responsible for the group-wide underwriting of credit risks associated with large corporate customers, for the management of respective credit applications and related training activities. It is the first line risk management unit for all corporate business at Erste Group Bank AG and, above defined thresholds, the second line risk management unit for corporate business at 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 system) 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 credit underwriting in real estate business. The area of responsibility includes all real estate customers doing international business and large-volume credit business of Erste Group's subsidiaries with corporate customers in the real estate segment. This organisational unit is the first line risk management unit for all real estate business of Erste Group Bank AG and Erste Group Immorent GmbH as well as the second line risk management unit for business at Erste Group's banking subsidiaries above defined thresholds. In addition, this unit covers underwriting for specific types of project finance (i.e. renewable energy, Private Public Partnership projects (transport infrastructure), etc.) as a first-line and second-line risk management, respectively.

Group Corporate Workout assumes group-wide responsibility for management of clients allocated to the business segments large corporates, commercial real estate, and other corporates 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 Corporate Workout acts as the second line risk management unit, above defined thresholds, for workout clients at Erste Group's banking subsidiaries. Furthermore it is the competence centre for managing the divestment processes of NPLs and the management of repossessed assets.

Corporate Portfolio Monitoring and Management is responsible for corporate risk policies and procedures along the credit process, the optimisation of corporate credit processes and the operative monitoring of credit risk (counterparty and country limit management). In addition, this department is responsible for group-wide credit collateral management. This includes the set-up of standards for the credit collateral management, the framework for a Group credit collateral catalogue, and principles for credit collateral evaluation and revaluation.

Group Credit Portfolio Steering Corporate and Retail is responsible for the group-wide steering of the corporate and retail lending and workout portfolios. This includes the definition of the retail lending and analytical framework as well as portfolio reporting framework and early warning system for the corporate portfolio. 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. These frameworks serve as a basis for monitoring lending and workout practices of local banks and for identifying potential adverse portfolio developments early on.

Group Legal

Group 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

The main tasks of the Group Sustainability Office (GSO) are development and implementation of Erste Group's environmental policy, adapting and communicating of Erste Group's 'Code of Conduct' and responsible for 'Time Bank' in Austria (a corporate volunteering platform for co-operation between NGOs and Erste employees). GSO is responsible for preparation and compilation of the '(consolidated) non-financial information Report (NFI-Report)' integrated into the Annual Report and is involved in the evaluation of non-financial risks in connection with corporate businesses and is main contact for sustainability ratings.

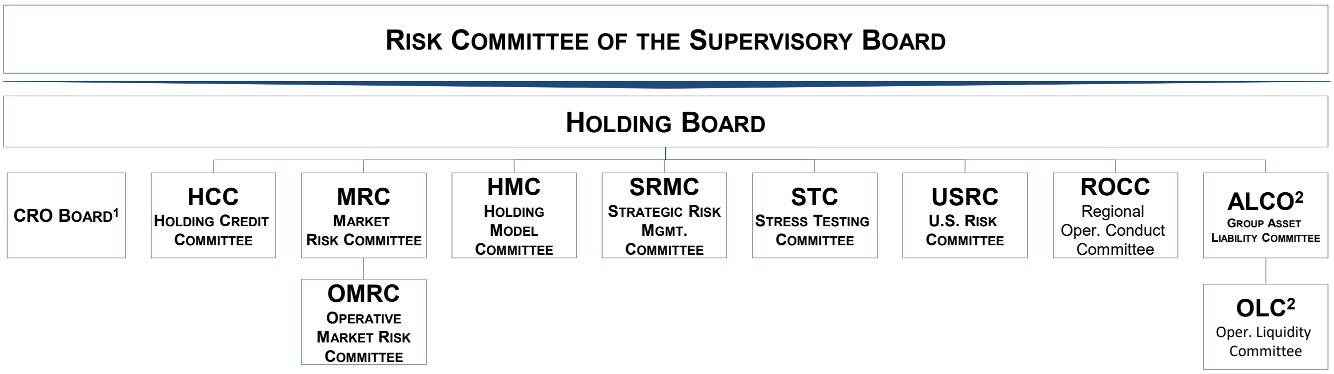
Local Chief Risk Officers

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. 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 the primary body for aligning on strategically relevant topics of the risk division across Erste Group entities, including (but not limited to) the group-wide strategic planning, the project portfolio and Change the Bank (CtB) investments. The CRO Board ensures a consistent flow of information from and to the group functions and supports the setting of the overall risk agenda.

The **Holding Credit Committee** (HCC) is the highest operative decision-making body for approvals of credit risks according to the valid credit risk approval authority regulations. Based on the advice of HCC, decisions of significant exposures and extended risks are decided by the risk management board of the supervisory committee. It also approves the relevant corporate industry strategies. The HCC is headed by the Group CRO and comprises the board member of Corporates & Markets, the head of Group Credit Risk Management and the head of the requesting business line. Each subsidiary has their own local credit committee established by the same principles.

The **Market Risk Committee** (MRC) is the main steering body for market risk and trading book related issues of Erste Group. 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 **Operative Market Risk Committee** (OMRC) prepares decisions for the MRC and approves sensitivity and notional limits which do not require VaR/SVaR limit adjustments.

The **Holding Model Committee** (HMC) is the steering and control body for IRB approach and Pillar 2 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 **Strategic Risk Management Committee** (SRMC) holds the delegated decision authority from the management board with respect to strategic risk management functions. Its responsibility area covers the approach to credit RWA calculation and economic capital calculation methodology, the back-testing of credit loss allowances, the remedy actions resulting from reporting of credit risk control units on rating system performance.

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

The **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 **Regional Operational Conduct Committee** (ROCC) holds delegated decision authority from the Holding Board with respect to Operational and Non-Financial Risk decisions, which may be represented as NFR decisions based on the predefined Risk Appetite Statement (RAS). The committee (a) decides on strategic steering topics based on NFR reporting (holistic risk overview), (b) serves as a sounding board on business risk decisions concerning non-financial risks and (c) decides on escalations to Holding Board. It facilitates lessons learned, initiates focus areas and decides on the implementation of corresponding group-wide measures. It acts as a Reputational Risk Committee.

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 ALCO within the scope of the management policies and principles laid down in the Liquidity Risk Management Rule Book. Furthermore, members of the 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.

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

Group-wide risk and capital management

Enterprise wide Risk Management (ERM) includes as its fundamental component the Internal Capital Adequacy Assessment Process (ICAAP) required under Pillar 2 of the Basel framework.

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

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

- Risk Appetite Statement (RAS), limits and risk strategy;
- portfolio and risk analytics including Risk Materiality Assessment (RMA), concentration risk management, and stress testing;
- Risk-bearing Capacity Calculation (RCC);
- 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 meet 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 via triggers and limits approved by the management board. It is integrated and embedded into Erste Group's structural processes; including business and risk strategy, budget process, capital and liquidity planning, recovery plan, stress testing and remuneration framework. 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 are part of the guidelines for managing risks. The core risk metrics are set as ultimate boundaries for the group risk-return target setting. They are also a key part of the annual strategic planning / budgeting process and give an overall picture of capital, liquidity and risk-return trade-offs. The key objective of the RAS is to:

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

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

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

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

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

Group RAS for 2019 was approved by the management board and acknowledged by the risk committee of supervisory board and supervisory board. The group further developed an aggregated and consolidated risk appetite dashboard (Risk Dashboard) illustrating the group's and local entities' risk profile developments by comparing the risk exposure and risk limits. The Risk Dashboard is regularly presented to the management board and to the supervisory board to support its review, oversight, and monitoring of the group risk profile and the risk profile of its local entities.

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

Portfolio and risk analytics

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

Risk materiality assessment

The Risk Materiality Assessment (RMA) determines the materiality of risk types and consequently the risk profile 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 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 important to ensure the long-term viability of Erste Group, especially in times of an adverse business environment and stressed economic conditions.

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

Stress testing

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

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

Results from Erste Group's internal stress tests are analysed in order to decide on appropriate measures. The internal comprehensive stress tests performed in 2019 indicated no breach of stressed RAS triggers after the application of scenario contingent measures in the last year of adverse scenario.

Risk-bearing capacity calculation

The Risk-bearing Capacity Calculation (RCC) defines the level of capital adequacy required by the ICAAP. In contrast to the regulatory view of Pillar 1, starting with 2019 the RCC is based on an economic view assuming continuation of Erste Group (as expected by ECB Guide to ICAAP) 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 relevant risk types as approved by the management board. The aggregated capital requirements are then compared to internally available capital, as reflected by the coverage potential.

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

Besides the Pillar 1 risk types (credit, market and operational risks), 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 (i.e. FX induced credit risk), risk from repayment vehicles as well as business risk are explicitly considered within the economic capital requirements via internal models in the context of Pillar 2. At the end of 2019, the economic capital adequacy was at 57.9%. The methodologies applied to the different risk types are diverse and range from value at risk approaches to the regulatory approach. Moreover, calculations for most of the portfolios under the standardised approach for credit risk are extended by risk parameters from the internal ratings-based approach in order to provide a more risk sensitive economic view.

Credit risk accounts for 73.4% of total economic capital requirements at the end of 2019. Reflecting Erste Group's conservative risk management policy and strategy, the group does not offset diversification effects between the risk types. Starting with 2019, the economic capital requirements for unexpected losses are computed on a one-year time horizon with a 99.92% confidence level, ensuring group-wide consistency (group and local entities) and coherence between ICAAP and processes where ICAAP is integrated.

The internal capital or coverage potential required to cover Pillar 2 risks and unexpected losses is based on CRR and CRR II (Regulation (EU) No. 575/2013 and Regulation (EU) No. 876/2019 amending Regulation (EU) No. 575/2013) fully loaded regulatory own funds adjusted by Pillar 2 add-ons (e.g. year-to-date profit (if not already considered in Pillar 1 capital), exclusion of Tier 2 capital instruments, IRB expected loss excess/shortfall add-on, etc.). The coverage potential must be sufficient to absorb unexpected losses resulting from the group's operations at any point in time, as reflected in the Group's Risk Appetite through the limits set for utilisation of coverage potential.

Risk planning

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

Methods and instruments applied

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

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

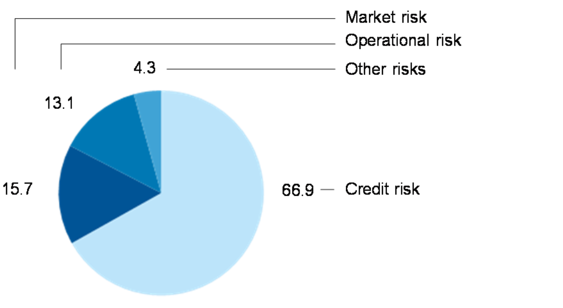
Capital allocation

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

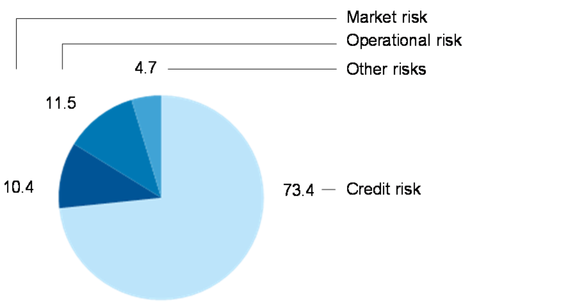
Erste Group's aggregate capital requirements by risk type

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

Economic capital allocation (in %)
31 December 2018



Economic capital allocation (in %)
31 December 2019



Other risks include business 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 submits an updated Group Recovery Plan to ECB every year.

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. The recovery governance described in the plan ensures timely identification and proper management of any recovery situation. Furthermore, the assessment of the Group Recovery Plan and the recently addressed assessment of the overall recovery capacity are part of the Supervisory Review and Evaluation Process (SREP) assessment. It is relevant to demonstrate that, in a severe stress which is close to a failing or likely to fail situation, there is sufficient recovery capacity available.

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). Erste Group prefers the Multiple Point of Entry (MPE) resolution strategy on cross-country level, but a Single Point of Entry (SPE) resolution strategy within a country.

The Bank Recovery and Resolution Directive (BRRD) introduced the Minimum Requirement for own funds and Eligible Liabilities (MREL). MREL has to be met at any time once it is a binding requirement. MREL is expressed as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds (TLOF) of the institution. As of December 2019, Erste Group has not yet received the binding targets for its Resolution Groups. Nevertheless, expected MREL requirements have been considered within the strategic planning and budgeting process on local and Group level.

In June 2019 the new banking reform package was published, which includes the Bank Recovery and Resolution Directive (BRRD2). The transposition into national law (BaSAG) is set with up to 18 months and is expected by the end of 2020. Beside the introduction of the term 'resolution group' and the concept of internal MREL, further criteria for bail-in eligible liabilities and MREL eligible liabilities are set.

Credit risk

Credit risk arises in Erste Group's traditional lending and investment businesses. It involves both credit losses incurred as a result of borrowers' default (Stage 3) and credit losses expected if default occurs either within 1 year (Stage 1) or at any time until maturity (Stage 2).

Stage 1 credit losses apply to non-defaulted credit risk exposures without significant increase in credit risk (SICR) since inception, whilst Stage 2 credit losses apply to non-defaulted credit risk exposures for which SICR is observed at the reporting date. It also involves credit losses due to counterparty risk from trading in instruments and derivatives bearing market risk. Country risk and related macro-economic forward-looking information 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 the section 'Risk management organisation'.

In contrast to large corporates, banks and governments managing credit risk in retail and SME involves dealing with a large number of relatively small exposures extended to private individuals, free professionals, entrepreneurs, or micro and small companies. Credit risk related to retail and SME loan portfolios is managed at group and at local entity level with a common interest in order to ensure regulatory compliant risk management practices and to provide customers with manageable loan facilities that are within their financial capacities and 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 regulatory capital requirements is regularly loaded into this database. Relevant subsidiaries not yet integrated into the Group data pool regularly deliver reporting packages.

The Group Risk Reporting, Planning and Risk Cost Management department uses the BI-DWH in particular 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.

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 more frequently.

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, loss 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 key input for the risk-weighted assets calculation. They are also used in the group's assessment of the economic capital requirements 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.

The Holding Model Committee (HMC) holds delegated approval authorities of the Erste Holding Management Board, and is established as the steering and oversight body for the model development and validation process. Approvals of all new models, model changes, changes to risk parameters within the group, changes in group-wide methodological standards and other model-related aspects are carried following dual approval process within the Group – corresponding Holding and local model committee structures reflect joint responsibilities for decisions on IRB models. Responsibilities are assigned depending on model perimeter (Group-wide or locally developed model). Ultimate responsibility for all models used within the Group (at consolidated level) lies with the Group CRO. All model governance, development and validation activities are coordinated by the Credit Risk Models division.

Credit risk classification

For the disclosure of asset quality Erste Group assigns each customer to one of the following four risk categories:

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

Management attention. Vulnerable non-retail clients, who 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, which include 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. All non-performing exposures are also defaulted.

Based on the calibration of internal PDs (probabilities of default) for regulatory purposes to the default rates published by rating agencies, the equivalent external customer rating was used for the assignment to risk categories. For the agency ratings, average one-year default rates resulting from long-term time series were applied.

Credit risk review and monitoring

Group Credit Risk Management conducts periodical reviews of the loan portfolio for each local entity to ensure an adequate portfolio quality and to monitor the compliance of local portfolios with the principles and parameters as stipulated by Erste Group's credit risk policies.

All credit limits and the transactions booked within the limits are reviewed at least once a year. Counterparty credit risk limits are monitored daily in an internal limit management system with remedial actions taken in case limits are exceeded.

A group-wide standardised early warning monitoring process is implemented to proactively identify negative developments. The early warning signals are monitored at group level by Group Credit Risk Management and, at subsidiary level, by the local units responsible for corporate risk management, and retail risk and collections management, for respective segments. When early warning signals are identified and validated, the overall client exposure and creditworthiness is reviewed and adequate risk mitigating actions are taken if deemed necessary. Watch list meetings are held on a regular basis to monitor customers with a poor credit standing and to discuss pre-emptive measures. 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, quality deterioration in new business or a decreasing collections effectiveness and require appropriate countermeasures. Additionally, the monitoring is performed for clients where early warning signals have been identified, even if they are still fulfilling their contractual repayment obligations.

Adverse portfolio developments regarding the non-performing and substandard loans portfolio of Erste Group are monitored, discussed and reported. In case of further negative developments clients are handled in specialized workout units aiming to minimize potential losses.

Credit risk exposure

Credit risk exposure relates to the sum of the following balance sheet items:
- cash and cash balances - demand deposits to credit institutions;
- debt instruments held for trading;
- non-trading debt instruments at fair value through profit or loss (FVPL);
- debt instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at amortised cost (AC), other than trade and other receivables;
- trade and other receivables (for disclosure purposes in the tabular summaries below, any contract assets are also included in this category);
- finance lease receivables;
- debt instruments held for sale in disposal groups;
- positive fair value of hedge accounting derivatives;
- off-balance sheet exposures (primarily financial guarantees and undrawn loan commitments).

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

Between 31 December 2018 and 31 December 2019, credit risk exposure increased from EUR 255,864 million to EUR 273,778 million. This is an increase of 7.0% or EUR 17,914 million.

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

in EUR million	Credit risk exposure	Credit loss allowances	Adjustments	Net carrying amount
Dec 19				
Cash and cash balances - demand deposits to credit institutions	1,196	0	0	1,195
Debt instruments held for trading	5,694	0	0	5,694
Non-trading debt instruments at FVPL	2,818	0	0	2,818
Debt securities	2,335	0	0	2,335
Loans and advances to banks	0	0	0	0
Loans and advances to customers	483	0	0	483
Debt instruments at FVOCI	8,590	-14	247	8,836
Debt securities	8,590	-14	247	8,836
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	207,150	-2,988	0	204,162
Debt securities	26,774	-11	0	26,764
Loans and advances to banks	23,063	-9	0	23,055
Loans and advances to customers	157,312	-2,969	0	154,344
Trade and other receivables	1,480	-72	0	1,408
Finance lease receivables	4,169	-134	0	4,034
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	130	0	0	130
Off-balance sheet exposures	42,552	-310	0	-
Total	**273,778**	**-3,518**	**247**	**228,279**
Dec 18				
Cash and cash balances - demand deposits to credit institutions	1,009	0	0	1,009
Debt instruments held for trading	5,516	0	0	5,516
Non-trading debt instruments at FVPL	2,938	0	0	2,938
Debt securities	2,651	0	0	2,651
Loans and advances to banks	0	0	0	0
Loans and advances to customers	287	0	0	287
Debt instruments at FVOCI	8,828	-10	205	9,033
Debt securities	8,828	-10	205	9,033
Loans and advances to banks	0	0	0	0
Loans and advances to customers	0	0	0	0
Debt instruments at AC	192,413	-3,307	0	189,106
Debt securities	26,059	-8	0	26,050
Loans and advances to banks	19,111	-8	0	19,103
Loans and advances to customers	147,243	-3,290	0	143,953
Trade and other receivables	1,441	-122	0	1,318
Finance lease receivables	3,914	-151	0	3,763
Debt instruments held for sale in disposal groups	0	0	0	0
Positive fair value of hedge accounting derivatives	132	0	0	132
Off-balance sheet exposures	39,673	-343	0	-
Total	**255,864**	**-3,933**	**205**	**212,816**

Credit loss allowances comprise impairments for financial assets measured at amortised cost (including finance lease and trade and other receivables) and at fair value through other comprehensive income (FVOCI), as well as credit loss allowances and provisions for off-balance sheet exposures. Adjustments refer to the fair value changes of the carrying amount for financial assets at FVOCI.

Breakdown of credit risk exposure

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

_ counterparty sector and financial instrument;
_ contingent liabilities / off-balance sheet exposure by product;
_ risk category;
_ industry and financial instrument;
_ industry and IFRS 9 treatment;
_ industry and risk category;
_ region and risk category;
_ region and IFRS 9 treatment;
_ business segment and risk category;
_ business segment and IFRS 9 treatment;
_ geographical segment and risk category;
_ geographical segment and IFRS 9 treatment;
_ non-performing credit risk exposure by business segment and coverage by credit loss allowances and collateral;
_ non-performing credit risk exposure by geographical segment and coverage by credit loss allowances and collateral;
_ relative thresholds for significant increase in credit risk assessment by geographical segments;
_ composition of credit loss allowances;
_ credit risk exposure, forbearance exposure and credit loss allowances;
_ types of forbearance exposure;
_ credit quality of forbearance exposure by geographical segment;
_ business segment and collateral;
_ geographical segment and collateral;
_ financial instrument and collateral;
_ credit risk exposure past due and not covered by credit loss allowances by financial instrument and collateralisation.

Credit risk exposure by counterparty sector and financial instrument

					At amortised cost								
in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments held for trading	Non-trading debt instruments at FVPL	Debt instruments at FVOCI	Debt securities	Loans and advances to banks	Loans and advances to customers	Trade and other receivables	Finance lease receivables	Debt instruments held for sale in disposal groups	Positive fair value of hedge accounting derivatives	Off-balance sheet exposures	Total
Dec 19													
Central banks	0	19	0	19	50	16,109	0	1	0	0	0	21	16,218
General governments	0	2,037	336	6,221	22,514	0	6,781	63	379	0	0	2,098	40,429
Credit institutions	1,196	3,059	723	1,099	3,288	6,955	0	25	1	0	129	955	17,429
Other financial corporations	0	98	1,088	181	143	0	3,612	30	71	0	0	1,513	6,735
Non-financial corporations	0	481	328	1,070	780	0	67,774	1,240	2,934	0	1	26,493	101,099
Households	0	1	344	0	0	0	79,146	122	783	0	0	11,472	91,868
Total	**1,196**	**5,694**	**2,818**	**8,590**	**26,774**	**23,063**	**157,312**	**1,480**	**4,169**	**0**	**130**	**42,552**	**273,778**
Dec 18													
Central banks	0	20	0	3	25	14,939	0	0	0	0	0	17	15,004
General governments	0	1,819	761	6,694	22,387	0	7,059	49	407	0	0	1,958	41,134
Credit institutions	1,009	3,062	721	912	2,752	4,172	0	47	2	0	125	668	13,470
Other financial corporations	0	132	1,048	182	145	0	3,355	42	63	0	5	1,389	6,361
Non-financial corporations	0	482	248	1,037	749	0	62,207	1,176	2,742	0	2	24,282	92,926
Households	0	1	161	0	0	0	74,623	126	700	0	0	11,358	86,968
Total	**1,009**	**5,516**	**2,938**	**8,828**	**26,059**	**19,111**	**147,243**	**1,441**	**3,914**	**0**	**132**	**39,673**	**255,864**

Contingent liabilities/ Off-balance sheet exposures by product

in EUR million	Dec 18	Dec 19
Financial guarantees	7,378	7,190
Loan commitments	28,802	31,225
Other commitments	3,493	4,137
Total	**39,673**	**42,552**

Credit risk exposure by risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 19	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**
Share of credit risk exposure	88.8%	7.3%	2.3%	1.6%	
Dec 18	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**
Share of credit risk exposure	87.6%	7.9%	2.4%	2.1%	
Change in credit risk exposure	18,917	-358	207	-852	17,914
Change	8.4%	-1.8%	3.4%	-16.0%	7.0%

Credit risk exposure by industry and financial instrument

					At amortised cost								
in EUR million	Cash and cash balances - demand deposits to credit institutions	Debt instruments held for trading	Non-trading debt instru-ments at FVPL	Debt instruments at FVOCI	Debt securities	Loans and advances to banks	Loans and advances to customers	Trade and other receivables	Finance lease receivables	Debt instruments held for sale in disposal groups	Positive fair value of hedge accounting derivatives	Off-balance sheet exposures	Total
Dec 19													
Agriculture and forestry	0	1	0	0	7	0	2,688	28	137	0	0	389	3,250
Mining	0	0	9	0	0	0	267	15	21	0	0	496	807
Manufacturing	0	74	22	181	77	0	11,587	522	519	0	0	6,293	19,274
Energy and water supply	0	58	17	90	44	0	3,204	69	77	0	0	859	4,418
Construction	0	11	22	3	4	0	6,935	71	281	0	0	5,005	12,332
Development of building projects	0	7	18	3	4	0	4,128	0	6	0	0	1,395	5,559
Trade	0	7	26	42	8	0	8,286	378	522	0	0	4,488	13,757
Transport and communication	0	46	125	524	224	0	3,950	74	696	0	1	2,159	7,798
Hotels and restaurants	0	4	1	1	3	0	4,312	7	86	0	0	712	5,126
Financial and insurance services	1,191	3,182	1,850	1,351	3,498	23,057	3,876	56	62	0	129	2,595	40,848
Holding companies	0	10	4	115	71	0	1,752	0	8	0	0	790	2,749
Real estate and housing	0	150	107	63	102	0	26,093	7	168	0	0	3,513	30,203
Services	0	109	58	143	121	0	9,216	79	533	0	0	3,779	14,038
Public administration	0	2,040	237	6,110	22,477	0	5,597	42	266	0	0	1,826	38,595
Education, health and art	0	8	4	0	0	0	2,833	7	335	0	0	580	3,767
Households	0	0	340	0	0	5	68,449	104	465	0	0	9,834	79,198
Other	5	4	0	82	210	2	20	21	2	0	0	23	368
Total	**1,196**	**5,694**	**2,818**	**8,590**	**26,774**	**23,063**	**157,312**	**1,480**	**4,169**	**0**	**130**	**42,552**	**273,778**
Dec 18													
Agriculture and forestry	0	1	5	0	0	0	2,562	21	148	0	0	359	3,096
Mining	0	5	8	2	4	0	242	10	20	0	0	425	717
Manufacturing	0	86	28	162	62	0	10,781	490	440	0	0	5,983	18,032
Energy and water supply	0	68	21	90	32	0	3,014	50	69	0	1	803	4,147
Construction	0	7	20	19	6	0	6,248	78	237	0	0	4,803	11,417
Development of building projects	0	4	14	3	4	0	3,704	0	4	0	0	1,358	5,090
Trade	0	9	31	40	0	0	7,993	394	536	0	0	3,689	12,692
Transport and communication	0	81	168	558	253	0	3,634	52	642	0	0	2,090	7,479
Hotels and restaurants	0	5	4	1	4	0	4,020	6	74	0	0	662	4,776
Financial and insurance services	1,009	3,213	1,747	1,145	2,932	19,111	3,821	91	50	0	130	2,221	35,471
Holding companies	0	19	16	92	77	0	1,993	0	4	0	0	545	2,747
Real estate and housing	0	119	58	95	89	0	24,045	6	171	0	0	3,322	27,904
Services	0	89	73	141	174	0	8,304	78	467	0	0	3,608	12,935
Public administration	0	1,819	622	6,459	22,306	0	5,748	30	296	0	0	1,425	38,705
Education, health and art	0	8	7	0	0	0	2,626	5	336	0	1	553	3,536
Households	0	0	146	0	0	0	64,198	118	423	0	0	9,698	74,584
Other	0	5	0	117	196	0	8	13	3	0	0	32	373
Total	**1,009**	**5,516**	**2,938**	**8,828**	**26,059**	**19,111**	**147,243**	**1,441**	**3,914**	**0**	**132**	**39,673**	**255,864**

Credit risk exposure by industry and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 19							
Agriculture and forestry	2,849	265	111	11	3,236	14	3,250
Mining	680	52	27	23	781	26	807
Manufacturing	16,043	1,805	431	46	18,324	951	19,274
Energy and water supply	3,657	558	75	4	4,294	124	4,418
Construction	10,160	862	389	31	11,441	890	12,332
Development of building projects	4,908	327	71	9	5,314	245	5,559
Trade	11,290	1,363	396	41	13,091	666	13,757
Transport and communication	6,934	462	104	5	7,506	292	7,798
Hotels and restaurants	4,314	503	243	26	5,086	41	5,126
Financial and insurance services	34,931	515	27	13	35,486	5,362	40,848
Holding companies	2,406	189	5	13	2,614	136	2,749
Real estate and housing	27,130	2,031	316	134	29,611	592	30,203
Services	11,709	1,322	243	6	13,279	759	14,038
Public administration	35,748	385	1	3	36,137	2,459	38,595
Education, health and art	3,097	417	216	0	3,730	37	3,767
Households	71,273	5,715	1,511	136	78,636	562	79,198
Other	361	0	0	0	361	7	368
Total	**240,176**	**16,256**	**4,087**	**480**	**260,999**	**12,779**	**273,778**
Dec 18							
Agriculture and forestry	2,571	327	134	44	3,077	19	3,096
Mining	616	34	28	20	697	20	717
Manufacturing	15,160	1,265	523	49	16,997	1,036	18,033
Energy and water supply	3,611	324	77	8	4,019	128	4,147
Construction	9,259	786	502	25	10,572	845	11,417
Development of building projects	4,508	272	56	2	4,839	251	5,090
Trade	10,935	982	449	55	12,420	272	12,692
Transport and communication	6,687	343	111	12	7,152	327	7,479
Hotels and restaurants	3,924	500	278	29	4,731	44	4,775
Financial and insurance services	29,535	515	63	15	30,127	5,339	35,467
Holding companies	2,424	102	44	14	2,584	162	2,747
Real estate and housing	25,561	1,227	427	157	27,372	532	27,904
Services	11,083	948	300	18	12,348	586	12,934
Public administration	35,793	381	1	3	36,179	2,526	38,705
Education, health and art	2,912	349	226	1	3,488	48	3,536
Households	67,276	5,212	1,584	162	74,233	351	74,584
Other	370	1	0	0	371	6	377
Total	**225,292**	**13,193**	**4,704**	**595**	**243,784**	**12,079**	**255,864**

Credit risk exposure by industry and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 19					
Agriculture and forestry	2,063	851	214	122	3,250
Mining	713	33	11	50	807
Manufacturing	16,376	1,942	483	474	19,274
Energy and water supply	3,654	485	199	79	4,418
Construction	9,867	1,612	435	418	12,332
Development of building projects	4,586	784	109	79	5,559
Trade	10,906	1,979	434	438	13,757
Transport and communication	6,669	712	309	108	7,798
Hotels and restaurants	3,662	928	285	251	5,126
Financial and insurance services	39,692	884	244	27	40,848
Holding companies	2,558	164	22	5	2,749
Real estate and housing	24,692	3,747	1,326	438	30,203
Services	12,202	1,245	335	254	14,038
Public administration	38,218	292	85	1	38,595
Education, health and art	2,982	413	155	216	3,767
Households	71,039	4,813	1,759	1,587	79,198
Other	306	0	61	0	368
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**
Dec 18					
Agriculture and forestry	2,026	753	136	180	3,096
Mining	620	39	11	48	717
Manufacturing	15,127	1,856	470	580	18,033
Energy and water supply	3,408	498	157	85	4,147
Construction	8,878	1,546	467	525	11,417
Development of building projects	4,180	683	169	58	5,090
Trade	9,806	1,887	489	510	12,692
Transport and communication	6,485	685	186	123	7,479
Hotels and restaurants	3,433	767	262	313	4,775
Financial and insurance services	34,271	885	231	79	35,467
Holding companies	2,501	157	30	59	2,747
Real estate and housing	23,163	3,130	1,035	576	27,904
Services	11,058	1,256	293	327	12,934
Public administration	38,236	254	209	6	38,705
Education, health and art	2,736	424	149	228	3,536
Households	64,557	6,314	1,980	1,734	74,584
Other	321	1	55	0	377
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by region and risk category

The geographic analysis of credit risk exposure is based on the country of risk of borrowers and counterparties. It also includes obligors domiciled in other countries if the economic risk exists in the respective country of risk. Accordingly, the distribution by regions differs from the composition of the credit risk exposure by geographical segments of Erste Group.

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 19					
Core markets	**208,069**	**18,042**	**5,869**	**4,023**	**236,003**
Austria	100,495	8,357	1,816	1,687	112,355
Czech Republic	52,422	4,515	1,147	673	58,757
Slovakia	18,851	1,305	1,544	479	22,180
Romania	15,908	1,407	559	407	18,281
Hungary	9,475	1,030	471	157	11,134
Croatia	8,506	1,093	274	598	10,472
Serbia	2,411	335	57	22	2,824
Other EU	**24,839**	**837**	**226**	**296**	**26,198**
Other industrialised countries	**5,334**	**123**	**34**	**14**	**5,504**
Emerging markets	**4,800**	**934**	**210**	**130**	**6,074**
Southeastern Europe/CIS	2,698	571	64	116	3,449
Asia	1,576	152	21	4	1,754
Latin America	156	18	10	9	193
Middle East/Africa	370	193	114	1	678
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**
Dec 18					
Core markets	**195,827**	**18,419**	**5,790**	**4,757**	**224,792**
Austria	96,632	7,692	2,065	1,953	108,342
Czech Republic	50,840	4,220	1,256	697	57,013
Slovakia	15,941	2,812	1,242	553	20,549
Romania	13,903	1,485	473	565	16,426
Hungary	8,762	832	426	198	10,218
Croatia	7,789	1,087	291	767	9,934
Serbia	1,960	291	37	23	2,311
Other EU	**19,788**	**894**	**156**	**408**	**21,245**
Other industrialised countries	**4,807**	**142**	**35**	**37**	**5,022**
Emerging markets	**3,704**	**839**	**149**	**113**	**4,804**
Southeastern Europe/CIS	1,798	425	77	94	2,395
Asia	1,497	138	14	3	1,653
Latin America	56	16	13	10	96
Middle East/Africa	352	260	44	5	661
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by region and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to FRS 9 impairment	Total
Dec 19							
Core markets	**210,624**	**14,007**	**3,715**	**417**	**228,762**	**7,240**	**236,003**
Austria	97,589	9,071	1,652	30	108,343	4,012	112,355
Czech Republic	55,975	1,678	648	27	58,328	428	58,757
Slovakia	20,865	666	384	116	22,031	149	22,180
Romania	15,377	1,661	335	110	17,483	798	18,281
Hungary	9,454	295	111	94	9,955	1,179	11,134
Croatia	9,004	530	565	37	10,137	335	10,472
Serbia	2,360	105	19	2	2,486	338	2,824
Other EU	**20,390**	**1,608**	**237**	**49**	**22,283**	**3,914**	**26,198**
Other industrialised countries	**4,601**	**234**	**14**	**13**	**4,862**	**643**	**5,504**
Emerging markets	**4,561**	**408**	**122**	**1**	**5,091**	**982**	**6,074**
Southeastern Europe/CIS	2,928	267	114	1	3,310	138	3,449
Asia	949	34	4	0	987	767	1,754
Latin America	142	25	2	0	169	24	193
Middle East/Africa	543	81	1	0	625	53	678
Total	**240,176**	**16,256**	**4,087**	**480**	**260,999**	**12,779**	**273,778**
Dec 18							
Core markets	**201,888**	**11,378**	**4,244**	**519**	**218,028**	**6,764**	**224,792**
Austria	94,756	7,446	1,847	49	104,097	4,244	108,342
Czech Republic	54,230	1,614	672	17	56,533	479	57,013
Slovakia	19,441	441	432	133	20,448	101	20,549
Romania	14,417	1,073	450	134	16,075	351	16,426
Hungary	8,786	169	127	120	9,202	1,016	10,218
Croatia	8,276	580	696	62	9,615	319	9,934
Serbia	1,982	54	20	3	2,058	253	2,311
Other EU	**15,558**	**1,085**	**338**	**56**	**17,037**	**4,208**	**21,245**
Other industrialised countries	**4,414**	**199**	**23**	**15**	**4,651**	**371**	**5,022**
Emerging markets	**3,431**	**531**	**101**	**6**	**4,069**	**735**	**4,804**
Southeastern Europe/CIS	2,039	213	88	6	2,345	50	2,395
Asia	1,032	18	2	0	1,053	600	1,653
Latin America	54	14	5	0	73	22	96
Middle East/Africa	307	286	5	0	598	63	661
Total	**225,292**	**13,193**	**4,704**	**595**	**243,784**	**12,079**	**255,864**

Stage 1 and Stage 2 comprise not impaired credit risks while Stage 3 includes impaired credit risks. POCI (purchased or originated credit impaired) consists of credit risks already impaired when purchased or originated.

The defaulted part of POCI amounted to EUR 339 million (2018: EUR 471 million), the non-defaulted part to EUR 141 million (2018: EUR 124 million).

The credit risk exposure increased by EUR 4,013 million, or 3.7% in Austria, and by EUR 7,197 million, or 6.2% in the CEE core markets. In the other EU member states (EU 28 excluding core markets), the credit risk exposure increased by EUR 4,953 million, or 23.3%. Growth was recorded as well in other industrialised countries (EUR 482 million) and in emerging markets (EUR 1,269 million). In total, Erste Group's core markets and the EU accounted for 95.8% (2018: 96.2%) of credit risk exposure as of 31 December 2019. At 2.2% (2018: 1.9%), 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
Dec 19					
Retail	58,616	5,977	2,512	1,474	68,579
Corporates	67,378	6,807	2,189	1,467	77,841
Group Markets	17,962	346	133	3	18,444
ALM & LCC	41,554	121	92	75	41,842
Savings Banks	57,280	6,673	1,403	1,431	66,786
GCC	252	13	9	13	287
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**
Dec 18					
Retail	54,909	7,216	2,520	1,583	66,228
Corporates	60,200	6,353	1,973	2,048	70,573
Group Markets	25,366	389	62	2	25,819
ALM & LCC	28,769	136	89	12	29,005
Savings Banks	54,210	6,192	1,468	1,666	63,536
GCC	673	8	19	3	703
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 19							
Retail	61,886	4,613	1,398	139	68,036	543	68,579
Corporates	67,684	5,489	1,203	294	74,671	3,170	77,841
Group Markets	12,199	126	2	0	12,327	6,116	18,444
ALM & LCC	41,380	78	75	0	41,533	309	41,842
Savings Banks	56,822	5,945	1,397	47	64,210	2,576	66,786
GCC	205	3	13	0	222	65	287
Total	**240,176**	**16,256**	**4,087**	**480**	**260,999**	**12,779**	**273,778**
Dec 18							
Retail	60,043	4,113	1,428	161	65,746	482	66,228
Corporates	62,338	3,819	1,691	372	68,219	2,354	70,573
Group Markets	19,678	290	2	0	19,970	5,849	25,819
ALM & LCC	28,668	55	12	0	28,735	271	29,005
Savings Banks	53,921	4,913	1,569	62	60,465	3,071	63,536
GCC	645	2	3	0	650	53	703
Total	**225,292**	**13,193**	**4,704**	**595**	**243,784**	**12,079**	**255,864**

Credit risk exposure by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 19					
Austria	**134,745**	**10,174**	**2,309**	**2,324**	**149,551**
EBOe & Subs.	41,074	2,788	584	529	44,975
Savings Banks	57,280	6,673	1,403	1,431	66,786
Other Austria	36,391	713	323	364	37,790
CEE	**102,434**	**9,749**	**4,019**	**2,126**	**118,328**
Czech Republic	53,611	4,596	1,161	556	59,924
Slovakia	16,553	1,291	1,541	473	19,859
Romania	13,926	1,430	559	441	16,356
Hungary	7,883	1,014	403	133	9,432
Croatia	8,649	1,102	299	501	10,551
Serbia	1,812	316	57	21	2,206
Other	**5,863**	**13**	**9**	**13**	**5,899**
Total	**243,042**	**19,936**	**6,338**	**4,463**	**273,778**
Dec 18					
Austria	**123,157**	**9,491**	**2,491**	**2,786**	**137,925**
EBOe & Subs.	39,353	2,547	750	636	43,286
Savings Banks	54,210	6,192	1,468	1,666	63,536
Other Austria	29,594	752	273	484	31,103
CEE	**95,417**	**10,760**	**3,620**	**2,498**	**112,297**
Czech Republic	51,499	4,317	1,216	561	57,594
Slovakia	14,115	2,744	1,250	487	18,596
Romania	12,917	1,485	475	603	15,480
Hungary	7,634	797	310	166	8,907
Croatia	7,734	1,126	332	660	9,852
Serbia	1,518	291	37	22	1,868
Other	**5,551**	**42**	**19**	**30**	**5,642**
Total	**224,125**	**20,293**	**6,130**	**5,315**	**255,864**

Credit risk exposure by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total
Dec 19							
Austria	**124,594**	**11,625**	**2,245**	**69**	**138,534**	**11,017**	**149,551**
EBOe & Subs.	39,844	3,553	523	6	43,926	1,049	44,975
Savings Banks	56,822	5,945	1,397	47	64,210	2,576	66,786
Other Austria	27,928	2,127	326	17	30,398	7,392	37,790
CEE	**109,787**	**4,627**	**1,829**	**411**	**116,653**	**1,674**	**118,328**
Czech Republic	57,259	1,746	525	32	59,562	362	59,924
Slovakia	18,774	511	360	135	19,780	79	19,859
Romania	14,020	1,551	370	110	16,052	303	16,356
Hungary	8,360	264	87	94	8,806	626	9,432
Croatia	9,499	488	468	37	10,493	59	10,551
Serbia	1,875	66	18	2	1,961	246	2,206
Other	**5,795**	**3**	**13**	**0**	**5,811**	**88**	**5,899**
Total	**240,176**	**16,256**	**4,087**	**480**	**260,999**	**12,779**	**273,778**
Dec 18							
Austria	**115,410**	**9,247**	**2,606**	**102**	**127,365**	**10,560**	**137,925**
EBOe & Subs.	38,838	2,926	597	17	42,378	908	43,286
Savings Banks	53,921	4,913	1,569	62	60,465	3,071	63,536
Other Austria	22,650	1,409	439	24	24,522	6,580	31,103
CEE	**104,388**	**3,903**	**2,068**	**493**	**110,851**	**1,446**	**112,297**
Czech Republic	54,940	1,728	532	21	57,220	374	57,594
Slovakia	17,666	347	347	152	18,512	85	18,596
Romania	13,760	1,052	489	134	15,435	45	15,480
Hungary	7,869	128	94	121	8,211	696	8,907
Croatia	8,549	596	589	62	9,796	57	9,852
Serbia	1,604	52	18	2	1,677	190	1,868
Other	**5,495**	**43**	**30**	**0**	**5,568**	**74**	**5,642**
Total	**225,292**	**13,193**	**4,704**	**595**	**243,784**	**12,079**	**255,864**

Non-performing credit risk exposure and credit loss allowances

For the definition of credit risk exposure classified as non-performing, please refer to the description of risk categories in the subsection 'Credit risk classification'. Credit risk allowances include credit loss allowances for financial assets, credit loss allowances for loan commitments and financial guarantees (all allowances within the scope of IFRS 9) and provisions for other commitments.

Credit loss allowances (all stages combined) covered 79.1% (2018: 74.4%) of the reported non-performing on-balance and off-balance credit risk exposure as of 31 December 2019. 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 2019, the non-performing credit risk exposure decreased by EUR 852 million, or 16.0%. The substantial improvement of asset quality resulted on one side from a strong decline of new non-performing loans, and on the other side from high recoveries and write-offs, including sales of non-performing loans. The credit loss allowances for loans and advances together with credit loss allowances for loan commitments and financial guarantees decreased by EUR 418 million, or 10.7%. The decrease of the non-performing exposure at a higher rate compared with the decrease of credit loss allowances resulted in a substantial increase of 4.7 percentage points in the coverage of the non-performing credit risk exposure by credit risk allowances.

The following tables show the coverage of the non-performing credit risk exposure by credit loss allowances (without taking into consideration collateral) as of 31 December 2019 and 31 December 2018. The differences in the credit allowance 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 is computed as total credit loss allowances (all allowances within the scope of IFRS 9) divided by non-performing credit risk exposure at AC and FVOCI. Collateral is not taken into account in the NPE coverage ratio.

Non-performing credit risk exposure by business segment and coverage by credit loss allowances and collateral

	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage ratio	NPE collateralisation ratio	
in EUR million	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
Dec 19												
Retail	1,474	1,472	68,579	68,036	-1,234	619	618	2.1%	2.2%	83.8%	42.0%	42.0%
Corporates	1,467	1,441	77,841	74,671	-1,227	508	506	1.9%	1.9%	85.2%	34.6%	35.1%
Group Markets	3	2	18,444	12,327	-13	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	75	75	41,842	41,533	-53	48	48	0.2%	0.2%	71.6%	64.7%	64.9%
Savings Banks	1,431	1,424	66,786	64,210	-961	707	705	2.1%	2.2%	67.5%	49.5%	49.5%
GCC	13	11	287	222	-13	5	3	4.6%	5.1%	115.1%	39.8%	29.0%
Total	**4,463**	**4,425**	**273,778**	**260,999**	**-3,502**	**1,888**	**1,881**	**1.6%**	**1.7%**	**79.1%**	**42.3%**	**42.5%**
Dec 18												
Retail	1,583	1,581	66,228	65,746	-1,341	639	638	2.4%	2.4%	84.8%	40.4%	40.4%
Corporates	2,048	2,017	70,573	68,219	-1,475	699	694	2.9%	3.0%	73.1%	34.1%	34.4%
Group Markets	2	2	25,819	19,970	-13	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	12	12	29,005	28,735	-33	1	1	0.0%	0.0%	285.0%	8.4%	8.8%
Savings Banks	1,666	1,655	63,536	60,465	-1,054	803	800	2.6%	2.7%	63.7%	48.2%	48.4%
GCC	3	1	703	650	-2	3	1	0.4%	0.1%	199.8%	98.2%	93.6%
Total	**5,315**	**5,268**	**255,864**	**243,784**	**-3,919**	**2,145**	**2,134**	**2.1%**	**2.2%**	**74.4%**	**40.4%**	**40.5%**

Non-performing credit risk exposure by geographical segment and coverage by credit loss allowances and collateral

in EUR million	Non-performing		Credit risk exposure		Credit loss allowances	Collateral for NPE		NPE ratio		NPE coverage ratio	NPE collateralisation ratio	
	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI	Total	AC and FVOCI	AC and FVOCI	Total	AC and FVOCI
Dec 19												
Austria	**2,324**	**2,294**	**149,551**	**138,534**	**-1,543**	**1,143**	**1,141**	**1.6%**	**1.7%**	**67.3%**	**49.2%**	**49.7%**
EBOe & Subs.	529	527	44,975	43,926	-326	289	289	1.2%	1.2%	61.7%	54.6%	54.7%
Savings Banks	1,431	1,424	66,786	64,210	-961	707	705	2.1%	2.2%	67.5%	49.5%	49.5%
Other Austria	364	342	37,790	30,398	-256	147	147	1.0%	1.1%	74.7%	40.3%	42.8%
CEE	**2,126**	**2,120**	**118,328**	**116,653**	**-1,945**	**740**	**737**	**1.8%**	**1.8%**	**91.7%**	**34.8%**	**34.8%**
Czech Republic	556	555	59,924	59,562	-534	129	129	0.9%	0.9%	96.3%	23.2%	23.3%
Slovakia	473	473	19,859	19,780	-351	169	169	2.4%	2.4%	74.2%	35.8%	35.8%
Romania	441	440	16,356	16,052	-497	151	151	2.7%	2.7%	112.9%	34.2%	34.2%
Hungary	133	130	9,432	8,806	-123	78	78	1.4%	1.5%	94.6%	59.1%	59.6%
Croatia	501	501	10,551	10,493	-409	207	205	4.7%	4.8%	81.7%	41.3%	41.0%
Serbia	21	21	2,206	1,961	-30	5	5	1.0%	1.0%	148.5%	23.0%	23.0%
Other	**13**	**11**	**5,899**	**5,811**	**-14**	**5**	**3**	**0.2%**	**0.2%**	**124.8%**	**39.8%**	**29.0%**
Total	**4,463**	**4,425**	**273,778**	**260,999**	**-3,502**	**1,888**	**1,881**	**1.6%**	**1.7%**	**79.1%**	**42.3%**	**42.5%**
Dec 18												
Austria	**2,786**	**2,748**	**137,925**	**127,365**	**-1,748**	**1,287**	**1,284**	**2.0%**	**2.2%**	**63.6%**	**46.2%**	**46.7%**
EBOe & Subs.	636	629	43,286	42,378	-405	311	311	1.5%	1.5%	64.3%	48.9%	49.4%
Savings Banks	1,666	1,655	63,536	60,465	-1,054	803	800	2.6%	2.7%	63.7%	48.2%	48.4%
Other Austria	484	464	31,103	24,522	-289	173	173	1.6%	1.9%	62.2%	35.8%	37.3%
CEE	**2,498**	**2,491**	**112,297**	**110,851**	**-2,154**	**855**	**849**	**2.2%**	**2.2%**	**86.5%**	**34.2%**	**34.1%**
Czech Republic	561	559	57,594	57,220	-560	101	101	1.0%	1.0%	100.2%	18.1%	18.1%
Slovakia	487	487	18,596	18,512	-367	228	228	2.6%	2.6%	75.3%	46.7%	46.7%
Romania	603	601	15,480	15,435	-570	186	184	3.9%	3.9%	94.9%	30.8%	30.7%
Hungary	166	163	8,907	8,211	-138	87	86	1.9%	2.0%	84.9%	52.8%	53.0%
Croatia	660	660	9,852	9,796	-488	248	244	6.7%	6.7%	73.9%	37.5%	37.0%
Serbia	22	21	1,868	1,677	-31	5	5	1.2%	1.3%	144.9%	23.3%	23.9%
Other	**30**	**28**	**5,642**	**5,568**	**-17**	**3**	**1**	**0.5%**	**0.5%**	**59.4%**	**9.6%**	**2.8%**
Total	**5,315**	**5,268**	**255,864**	**243,784**	**-3,919**	**2,145**	**2,134**	**2.1%**	**2.2%**	**74.4%**	**40.4%**	**40.5%**

Expected credit loss measurement

The general principles and standards for credit loss allowances are governed by internal policies in Erste Group. According to IFRS 9, credit loss allowances are calculated for all components of credit risk exposures which are measured at amortised cost (AC) or at fair value through other comprehensive income. They include debt securities, loans and advances, demand deposits on nostro accounts with commercial banks as well as finance lease and trade receivables. Also, credit loss allowances are calculated for loan commitments and financial guarantees if they meet the applicable IFRS 9 definitions.

According to IFRS 9, there are three main stages outlined for expected credit loss (ECL) determination. Stage 1 includes financial instruments which are not credit-impaired at initial recognition and for which credit risk has not increased significantly since initial recognition. In Stage 1, credit loss allowances are calculated as twelve-month ECL.

If a significant increase in credit risk (SICR) since initial recognition is identified but the financial instrument is not yet deemed to be credit-impaired, it is moved to Stage 2. For financial instruments in Stage 2 the ECL is measured on a lifetime (LT) basis. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. For financial instruments in Stage 3 the ECL is measured on a LT basis.

Purchased or originated credit-impaired (POCI) financial instruments are those financial instruments that are credit-impaired on initial recognition. Their ECL is always measured on LT basis.

For more information about classification into stages refer to part 'Classification into stages and definition of credit-impaired financial instruments' below.

Key judgments, inputs and assumptions adopted by the Group in addressing the IFRS 9 requirements of the standard are presented below.

Significant increase in credit risk determination

Assessment of significant increase in credit risk of financial instruments as at the reporting date since initial recognition is one of the key drivers affecting the amount of the ECL recognised based on IFRS 9 requirements. In this respect, across portfolios and product types, quantitative and qualitative indicators are defined for assessing SICR, including the indicator of 30 days-past-due (DPD).

Quantitative criteria

Quantitative SICR indicators include adverse changes in annualised lifetime probability of default and in lifetime probability of default with significance being assessed by reference to a mix of relative and absolute change thresholds. The bank has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in PD compared to initial recognition. In order for the SICR to occur for a particular financial instrument, both the relative and absolute thresholds need to be breached.

The relative measure is calculated as a ratio between current annualised PD and annualised PD value on initial recognition. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level for each consolidated entity, as necessary, and are subject to initial and on-going validation. The absolute threshold refers to difference of LT PD on initial recognition and current LT PD. It is set to a maximum of 50 bps and serves as a back-stop for migrations between the best ratings (LT PDs considered for remaining maturity). In such cases, relative thresholds may be breached, however overall PD is very low, and therefore SICR is not positively concluded.

Sensitivity of ECL on relative threshold changes

The table below presents relative threshold intervals as applied at Erste Group and a sensitivity analysis on how changes in the relative thresholds would affect ECL per geographical segment.

Relative thresholds for SICR assessment by geographical segment

	Threshold interval (x times)		Threshold change +/-0.5		Threshold change +/-1	
in EUR million	Min	Max	ECL impact decrease	ECL impact increase	ECL impact decrease	ECL impact increase
Dec 19						
Austria	**1.13**	**2.37**	**+50.3**	**-28.9**	**+69.9**	**-73.4**
EBOe & Subs.	1.13	2.37	+11.7	-6.0	+16.9	-13.8
Savings Banks	1.13	2.37	+28.4	-17.4	+38.5	-44.2
Other Austria	1.13	2.37	+10.2	-5.6	+14.4	-15.5
CEE	**1.03**	**4.41**	**+22.1**	**-32.4**	**+37.1**	**-79.3**
Czech Republic	1.13	3.59	+4.2	-13.5	+8.9	-35.7
Slovakia	1.13	4.41	+3.6	-5.0	+6.0	-12.8
Romania	1.13	3.36	+9.1	-8.6	+14.5	-16.7
Hungary	1.13	3.21	+3.1	-2.7	+4.1	-3.1
Croatia	1.13	3.13	+1.1	-1.9	+2.2	-7.5
Serbia	1.03	3.47	+1.1	-0.7	+1.3	-3.5
Total	**1.03**	**4.41**	**+72.4**	**-61.4**	**+107.0**	**-152.7**
Dec 18						
Austria	**1.13**	**2.37**	**+36.1**	**-19.9**	**+42.6**	**-32.1**
EBOe & Subs.	1.13	2.37	+11.6	-4.9	+13.3	-8.6
Savings Banks	1.13	2.37	+23.7	-11.5	+28.4	-18.0
Other Austria	1.13	2.37	+0.8	-3.5	+0.9	-5.5
CEE	**1.03**	**4.41**	**+28.7**	**-17.1**	**+62.5**	**-29.4**
Czech Republic	1.13	3.59	+14.7	-6.9	+29.9	-11.5
Slovakia	1.13	4.41	+4.1	-2.1	+8.4	-3.6
Romania	1.13	3.36	+5.4	-4.8	+9.6	-9.3
Hungary	1.13	3.57	+1.0	-0.9	+3.3	-1.5
Croatia	1.13	3.13	+2.7	-0.8	+9.7	-1.8
Serbia	1.03	3.47	+0.8	-1.6	+1.6	-1.7
Total	**1.03**	**4.41**	**+64.8**	**-37.0**	**+105.1**	**-61.5**

Sensitivity is calculated by adding/subtracting the values indicated from the current threshold level. The ECL impact increase/decrease refers to increasing/lowering the threshold (i.e. if the current threshold is 2.37 and the sensitivity is 0.5, then the increase refers to a threshold of 2.87 and the decrease to a threshold of 1.87, so an increase leads to release of ECL and a decrease to additional allocation). Effects of the threshold changes by +/- 0.5 and +/- 1 are shown, however the threshold is floored to 1, since values of the ratio below 1 indicate creditworthiness improvement (i.e. if the threshold is 1.13, values used for sensitivity analysis for +/- 0.5 would decrease the threshold to 1 and increase the threshold to 1.63).

Thresholds might seem to show high dispersion, but they are driven mainly by regional and rating diversity. Regions with higher credit quality portfolios have lower thresholds than those with lower credit quality portfolios. The minimal threshold in almost all regions of 1.13 refers to sovereign rating classes that are centrally established. The average threshold of the Group is between 2 and 3.

There are certain portfolios where SICR quantitative criteria are assessed based on the ratings rather than PDs. The main rule in those cases is that downgrading of the ratings would lead to a positive conclusion on SICR. These rules are applied primarily to leasing and factoring business receivables.

For migration back to Stage 1 there are no additional cure periods established for quantitative criteria other than those already established in general credit risk practice (e.g. for rating improvement).

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

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

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

For migration back to Stage 1 there are no additional cure periods established for qualitative criteria other than those already established in general credit risk practice for the above-mentioned flags (forbearance, watch lists).

Backstop
A backstop is applied and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

Low credit risk exemption
The 'low credit risk exemption' allowed by IFRS 9 for 'investment grade' assets or other assets deemed 'low risk' (and resulting in 12 months expected credit losses being calculated irrespective of SICR quantitative measures) has been implemented with limitations in Erste Group. Thus, the potential activation of this exemption is limited to particular types of debt instruments and counterparty categories, and only if supported by sufficient 'low risk' evidence. On this basis, the 'low risk exemption' is expected to occasionally apply to some debt security exposures and only exceptionally to loans.

As of 31 December 2019, low credit risk exemption is applied only to debt securities in the Czech subsidiary (Česká spořitelna) and sovereign exposures in the Romanian subsidiary (Banca Comercială Română). In Česká spořitelna, the corresponding exposure amounted to EUR 10.2 billion (2018: EUR 10.3 billion) with PDs interval of 0.01%-0.5%. In Banca Comercială Română, the respective exposure amounted to EUR 4.3 billion (2018: not existing) with PD interval of 0.01%-0.5%.

Measuring ECL – explanation of inputs and measurement
Credit loss allowances are calculated individually or collectively.

The individual calculation approach is applied in case of exposures to significant defaulted customers in Stage 3 or POCI. It consists in the individual assessment of the difference between the gross carrying amount and the present value of the expected cash flows, which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate). However, the discount rate for financial guarantees shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows which in Erste Group's implementation means using a risk free rate as a proxy.

A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. Otherwise, the customer is considered insignificant and a rule-based (collective) approach is used for the calculation of the related credit loss allowance as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process.

For exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2), collective allowances are calculated according to a rule-based approach irrespective of the significance of the customer. The calculation of collective allowances requires grouping the related exposures into homogenous clusters on the basis of shared risk characteristics. The grouping criteria may differ based on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band, and credit rating band.

The calculation of credit loss allowances is done on a monthly basis on a single exposure level and in the contractual currency of the exposure. To compute the collective credit loss allowance, Erste Group applies an expected credit loss (ECL) model based on a three-stage approach that leads to either a 12-month ECL or to a lifetime ECL. ECL is the discounted product of exposure at default (EAD) that also includes a credit conversion factor in the case of off-balance sheet exposures, probability of default (PD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (per definition of default below), either over next 12 months (1Y PD) for Stage 1 exposures or over the remaining lifetime (LT PD) for Stage 2 and 3 and POCI exposures.
- EAD is based on the amounts Erste Group expects to be owed at the time of default, over next 12 months (1Y EAD) for Stage 1 exposures, or over the remaining lifetime (LT EAD) for Stage 2 and 3 and POCI exposures. The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default.
- LGD represents the Erste Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

Life-time parameters

The LT PD is developed through observation of historical defaults from initial recognition through the life-time of the loans. It is assumed to be the same across all assets in the same portfolio and rating band.

The 1Y and LT EADs are determined based on the expected payment profiles, which vary by product type. The LT EAD calculation utilises repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, credit conversion factor is estimated for reflecting the expected credit exposure in the EAD.

The LGD is estimated as a lifetime curve for any point in time, based on historical loss observations.

The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of collective allowances differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis, if the characteristics of the respective portfolio in combination with IFRS standards necessitate this.

Incorporation of forward-looking information

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

Thus, the unbiased probability-weighted ECL considering FLI is derived using the weights representing the probability of occurrence of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates. The selection of variables also depends on the availability of reliable forecasts for the given local market. Nevertheless, the main indication of estimated economic development is the GDP development.

Baseline, upside and downside scenarios of GDP growth by geographical segment

GDP growth in %	Scenario	Probability weight	2019	2020	2021	2022
Dec 19						
Austria	Upside	11%	1.7	3.1	3.2	3.1
	Baseline	50%	1.7	1.6	1.7	1.6
	Downside	39%	1.7	-0.2	-0.1	-0.2
Czech Republic	Upside	13%	2.6	4.6	4.7	4.8
	Baseline	50%	2.6	2.6	2.7	2.8
	Downside	37%	2.6	0.1	0.2	0.3
Slovakia	Upside	12%	3.4	5.7	5.3	5.2
	Baseline	50%	3.4	3.3	2.9	2.8
	Downside	38%	3.4	0.1	-0.3	-0.4
Romania	Upside	10%	4.5	6.9	6.5	5.0
	Baseline	50%	4.5	3.8	3.4	1.9
	Downside	40%	4.5	0.3	-0.1	-1.6
Hungary	Upside	7%	4.1	5.0	4.4	4.3
	Baseline	50%	4.1	3.2	2.6	2.5
	Downside	43%	4.1	0.6	0.0	-0.1
Croatia	Upside	10%	3.2	4.1	5.3	6.3
	Baseline	50%	3.2	2.5	2.4	2.4
	Downside	40%	3.2	0.9	-0.5	-1.5
Serbia	Upside	10%	3.3	5.7	6.2	n/a
	Baseline	50%	3.3	3.5	4.0	n/a
	Downside	40%	3.3	1.1	1.6	n/a
			2018	**2019**	**2020**	**2021**
Dec 18						
Austria	Upside	34%	2.8	3.7	3.3	3.1
	Baseline	50%	2.8	2.2	1.8	1.6
	Downside	16%	2.8	0.4	0.0	-0.2
Czech Republic	Upside	14%	3.6	5.1	4.9	4.8
	Baseline	50%	3.6	3.1	2.9	2.8
	Downside	36%	3.6	0.8	0.6	0.5
Slovakia	Upside	25%	3.9	6.2	5.6	5.5
	Baseline	50%	3.9	4.2	3.6	3.5
	Downside	25%	3.9	1.6	1.0	0.9
Romania	Upside	34%	4.0	6.3	6.8	6.4
	Baseline	50%	4.0	3.4	3.9	3.5
	Downside	16%	4.0	0.5	0.9	0.5
Hungary	Upside	41%	4.7	4.6	3.8	3.8
	Baseline	50%	4.1	3.3	2.5	2.5
	Downside	9%	3.0	1.1	0.3	0.3
Croatia	Upside	32%	2.8	4.2	5.5	5.3
	Baseline	50%	2.8	2.7	2.6	2.7
	Downside	18%	2.8	1.2	-0.3	0.1
Serbia	Upside	25%	2.9	4.8	n/a	n/a
	Baseline	50%	2.9	3.0	n/a	n/a
	Downside	25%	2.9	1.1	n/a	n/a

In order to show impact of the macro scenarios on the stage composition and ECL development we present sensitivity analyses of the applied shifts in the table below. We show split of the current exposure and ECL on the performing portfolio and movements in exposures between stages and resulted changes in ECL.

Sensitivity Analysis

	Current status parameters (FLI shifted)				Point in time parameters (before FLI shift)			
	Risk relevant exposure		ECL		Risk relevant exposure change		ECL change	
in EUR million	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2
Dec 19								
Austria	**124,594**	**11,625**	**-173**	**-290**	**+1,159.5**	**-1,159.5**	**+2.2**	**+42.2**
EBOe & Subs	39,844	3,553	-37	-69	+264.8	-264.8	+1.0	+8.0
Savings Banks	56,822	5,945	-108	-179	+632.7	-632.7	+1.5	+22.8
Other Austria	27,928	2,127	-28	-42	+261.9	-261.9	-0.3	+11.3
CEE	**109,787**	**4,627**	**-252**	**-317**	**+444.3**	**-444.3**	**+24.3**	**+48.5**
Czech Republic	57,259	1,746	-78	-84	+82.3	-82.3	+1.1	+4.7
Slovakia	18,774	511	-39	-38	+21.8	-21.8	-0.3	+2.4
Romania	14,020	1,551	-47	-135	+251.1	-251.1	+4.5	+32.1
Hungary	8,360	264	-16	-27	+58.2	-58.2	+5.1	+7.8
Croatia	9,499	488	-61	-27	+23.1	-23.1	+11.7	+1.0
Serbia	1,875	66	-10	-6	+7.7	-7.7	+2.2	+0.6
Other	**5,795**	**3**	**0**	**0**	**-**	**-**	**-**	**-**
Total	**240,176**	**16,256**	**-425**	**-607**	**+1,603.8**	**-1,603.7**	**+26.4**	**+90.7**
Dec 18								
Austria	**115,410**	**9,247**	**-175**	**-244**	**+153.2**	**-153.2**	**+1.6**	**+10.2**
EBOe & Subs	38,838	2,926	-44	-64	+28.2	-28.2	+0.6	+1.9
Savings Banks	53,921	4,913	-100	-152	+93.6	-93.6	+0.6	+5.8
Other Austria	22,650	1,409	-31	-28	+31.3	-31.3	+0.4	+2.5
CEE	**104,388**	**3,903**	**-261**	**-294**	**+156.6**	**-156.6**	**+4.0**	**+25.2**
Czech Republic	54,940	1,728	-98	-92	+97.5	-97.5	+1.4	+8.1
Slovakia	17,666	347	-39	-35	-27.0	+27.0	+0.0	-2.4
Romania	13,760	1,052	-38	-113	+69.5	-69.5	+4.3	+19.0
Hungary	7,869	128	-18	-17	-1.9	+1.9	-0.2	-0.2
Croatia	8,549	596	-58	-31	+9.5	-9.5	-3.6	+0.4
Serbia	1,604	52	-9	-8	+8.9	-8.9	+2.1	+0.3
Other	**5,495**	**43**	**0**	**-1**	**-**	**-**	**-**	**-**
Total	**225,292**	**13,193**	**-436**	**-540**	**+309.8**	**-309.8**	**+5.6**	**+35.4**

In the ECL change from the above table the positive sign (+) means a release while the negative sign (-) means an allocation. Values presented as sensitivities are results of the internal simulations.

Erste Group forecast led to the higher effects of the FLI adjustments on the credit risk parameters as depicted in the sensitivity tables. It is as well visible in threshold sensitivity, where comparatively more conservative risk parameters led to higher sensitivity to threshold stages as depicted in threshold sensitivity table above.

Classification into stages and definition of credit-impaired financial instruments

The three-stage approach applies to financial instruments within the scope of the impairment requirements of IFRS 9 and those that are not categorised as purchased or originated credit-impaired financial assets (POCI), which form a category of their own. Depending on the impairment status and the assessment of the development of credit risk, these financial instruments are assigned to one of the three stages.

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

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

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

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

Composition of credit loss allowances

in EUR million	Dec 18	Dec 19
Credit loss allowances	-3,590	-3,209
Credit loss allowances for loan commitments and financial guarantees	-329	-293
Provisions for other commitments	-14	-17
Total	**-3,933**	**-3,518**

Credit loss allowances are computed based on IFRS 9 requirements, while provisions for other commitments are subject to IAS 37.

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 customer would default without receiving forbearance.

Additional criteria for non-retail segment:

- early warning signals for this customer identified;
- customer has deteriorated financial figures, which led to decline of the rating grade;
- customer has increased probability of default.

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;
- the contract modification involves total or partial cancellation of the debt by (partial) write-off;
- activation of embedded forbearance clause of the contract;
- any waiver of a material financial or non-financial covenant.

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);
- non-performing forbearance (incl. defaulted forbearance; since 10/2019 the definition of non-performing status is aligned with default).

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;
- _ granting the forbearance has not led to classifying the exposure as non-performing/default.

Performing forborne exposures become non-performing when one of the following forbearance classifications is fulfilled during the monitoring period of a minimum two years:
- _ an additional forbearance measure is extended;
- _ 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 (significant repayment) 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 non-retail customers);
- _ significant repayment includes amount previously past-due (if any) or written-off (if no-past due amounts) for both segments retail and non-retail;
- _ 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 or from the latest of the following events:
  - _ the moment of extending the restructuring measure;
  - _ the end of the grace period included in the restructuring agreement;
  - _ the moment when the exposure has been classified as defaulted.
- _ the forbearance has not led the exposure to be classified as non-performing;
- _ the customer is not classified as defaulted according to the definition of default;
- _ 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 12 months prior to the reclassification 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 customers: significant amount has been paid in regular repayments, analysis of financial development that 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 12 months prior to the reclassification 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 and monitored within the responsibility of the local workout units according to the internal regulations and standards for the workout involvement. Forbearance measures are defined as qualitative trigger events in the SICR concept according to the internal regulations of Erste Group.

Default definition

Since October 2019 Erste Group has implemented the new definition of default, based on regulatory joint decision, in all entities using IRB approach to comply with the EBA ‘Guidelines on the application of the definition of default under Art.178 of Regulation (EU) No 575/2013’ and ‘Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due’. The impact of the modified default definition is immaterial. Erste Group follows the two-step approach of the European Central Bank which requires the adjustment of the risk parameters and recalibration of rating systems as a second step afterwards.

Entities with standardized approach have to implement the new Group Forbearance, Non-performing and Default Definition Policy latest by end of 2020. The group requirements stipulated in the Group policy cover the EBA requirements given in the Guidelines on the application of default definition (EBA GL 2016-07). Deviations to the group requirements are allowed only if are triggered by local regulatory requirements.

The definitions of non-performing and default are aligned within Erste Group.

The materiality of 90 days past due credit obligation is applied for on-balance exposure at client level and assessed daily against the group-wide defined materiality threshold (except the local regulator has defined different thresholds) for the:
- _ retail exposure: as an absolute limit on client level of 100 EUR and relative 1% on client level;
- _ non-retail exposure: as an absolute limit on client level of 500 EUR and relative 1% on client level.

Credit risk exposure, forbearance exposure and credit loss allowances

in EUR million	Loans and advances	Debt securities	Other positions	Loan commitments	Total
Dec 19					
Gross exposure	**186,507**	**37,699**	**18,347**	**31,225**	**273,778**
thereof gross forborne exposure	2,213	3	0	96	2,313
Performing exposure	182,363	37,695	18,147	31,110	269,316
thereof performing forborne exposure	910	0	0	30	939
Credit loss allowances for performing exposure	-869	-23	-72	-79	-1,042
thereof credit loss allowances for performing forborne exposure	-33	0	0	-4	-37
Non-performing exposure	4,144	4	200	115	4,463
thereof non-performing forborne exposure	1,303	3	0	67	1,373
Credit loss allowances for non-performing exposure	-2,315	-2	-128	-32	-2,476
thereof credit loss allowances for non-performing forborne exposure	-662	-2	0	-11	-675
Dec 18					
Gross exposure	**171,996**	**37,537**	**17,528**	**28,802**	**255,864**
thereof gross forborne exposure	2,486	3	0	95	2,584
Performing exposure	167,133	37,508	17,241	28,667	250,549
thereof performing forborne exposure	857	0	0	27	884
Credit loss allowances for performing exposure	-825	-16	-73	-70	-984
thereof credit loss allowances for performing forborne exposure	-42	0	0	-2	-44
Non-performing exposure	4,862	30	288	135	5,315
thereof non-performing forborne exposure	1,629	3	0	68	1,700
Credit loss allowances for non-performing exposure	-2,748	-2	-153	-47	-2,951
thereof credit loss allowances for non-performing forborne exposure	-764	-2	0	-16	-781

Types of forbearance exposure

in EUR million	Gross forborne exposure	Modification in terms and conditions	Refinancing
Dec 19			
Loans and advances	2,213	1,933	280
Debt securities	3	3	0
Loan commitments	96	82	14
Total	**2,313**	**2,019**	**294**
Dec 18			
Loans and advances	2,486	2,188	298
Debt securities	3	3	0
Loan commitments	95	79	16
Total	**2,584**	**2,271**	**314**

Loans and advances also include lease, trade and other receivables.

Credit quality of forbearance exposure by geographical segment

in EUR million	Gross forborne exposure	Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired	Collateral	Credit loss allowances
Dec 19						
Austria	**1,476**	**686**	**41**	**749**	**796**	**-354**
EBOe & Subs.	337	177	13	147	212	-57
Savings Banks	953	476	28	449	538	-208
Other Austria	187	33	1	153	45	-89
CEE	**837**	**220**	**28**	**588**	**218**	**-358**
Czech Republic	136	29	2	105	35	-67
Slovakia	257	75	15	167	76	-93
Romania	227	56	2	169	53	-112
Hungary	41	15	2	24	25	-12
Croatia	159	41	1	117	25	-70
Serbia	17	6	6	6	4	-5
Other	**0**	**0**	**0**	**0**	**0**	**0**
Total	**2,313**	**906**	**69**	**1,337**	**1,014**	**-712**
Dec 18						
Austria	**1,597**	**642**	**42**	**913**	**851**	**-428**
EBOe & Subs.	368	185	7	176	212	-84
Savings Banks	945	437	26	482	528	-233
Other Austria	284	20	9	256	112	-112
CEE	**987**	**248**	**30**	**709**	**338**	**-397**
Czech Republic	124	41	0	83	35	-53
Slovakia	271	69	10	192	135	-99
Romania	298	72	10	216	73	-147
Hungary	48	18	6	24	23	-16
Croatia	233	41	3	189	71	-78
Serbia	13	7	1	5	2	-4
Other	**0**	**0**	**0**	**0**	**0**	**0**
Total	**2,584**	**890**	**72**	**1,622**	**1,190**	**-825**

Collateral

Recognition of credit collateral

The Collateral Management department is a staff unit within the Corporate Portfolio Monitoring and Management Department. The Group Collateral Management Policy Part 1 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 credit collateral

The following types of credit 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, machinery and motor vehicles;
- claims and rights: trade account receivables, leasehold rights and shares in a company's capital.

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 by the bank. For quality assurance purposes, the real estate evaluation mechanism and real estate valuations 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 2019, the carrying value of these assets obtained during the reporting period amounted to EUR 9 million (2018: EUR 488 million).

Treasury collateral

The department Trading Book Risk Management is responsible for treasury collateral. The Group Collateral Management Policy Part 2 defines, among other things, uniform valuation standards for treasury collateral across the entire group.

Under the framework of treasury collateral, netting agreements (international framework agreements for derivatives of the International Swap and Derivatives Association (ISDA), Austrian or German framework agreements, framework agreements for securities lending transactions and repurchase deals) as well as collateral agreements (e.g. ISDA Credit Support Annex) are used for reducing the credit risk from derivatives.

Netting agreements make it possible to net all amounts due or payable for each individual transaction under a framework agreement in the case of a credit default, with the result that only the net receivables vis-à-vis the business partner are of relevance for credit risk. Within the scope of these collateral agreements, the portfolio with the respective counterparty is revalued periodically, usually daily, and in case of insufficient coverage additional collateral is requested. The policy restrictions on collateral types ensure that collateral received predominantly consists of cash or securities of investment grade quality. In the case of securities used as collateral, an additional valuation discount (haircut) depending on credit quality and residual maturity is applied.

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

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
Dec 19						
Retail	68,579	39,853	1,568	35,357	2,928	28,725
Corporates	77,841	27,408	4,459	17,738	5,211	50,433
Group Markets	18,444	7,408	1,719	11	5,678	11,036
ALM & LCC	41,842	16,392	1,322	31	15,038	25,450
Savings Banks	66,786	31,117	1,529	26,343	3,244	35,669
GCC	287	30	0	6	23	257
Total	**273,778**	**122,208**	**10,597**	**79,488**	**32,123**	**151,570**
Dec 18						
Retail	66,228	37,338	1,338	33,081	2,918	28,890
Corporates	70,573	24,543	4,468	14,930	5,145	46,030
Group Markets	25,819	14,238	923	28	13,287	11,581
ALM & LCC	29,005	4,522	1,189	6	3,327	24,484
Savings Banks	63,536	29,264	1,440	24,426	3,398	34,272
GCC	703	425	0	18	407	278
Total	**255,864**	**110,330**	**9,358**	**72,489**	**28,482**	**145,534**

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
Dec 19						
Austria	**149,551**	**68,928**	**5,643**	**50,022**	**13,264**	**80,623**
EBOe & Subs.	44,975	25,424	2,142	20,617	2,665	19,551
Savings Banks	66,786	31,117	1,529	26,343	3,244	35,669
Other Austria	37,790	12,387	1,972	3,061	7,354	25,403
CEE	**118,328**	**52,273**	**4,348**	**29,459**	**18,466**	**66,055**
Czech Republic	59,924	30,798	1,167	13,704	15,927	29,126
Slovakia	19,859	8,887	80	8,343	463	10,972
Romania	16,356	5,355	1,548	3,040	767	11,001
Hungary	9,432	3,269	1,006	1,707	555	6,163
Croatia	10,551	3,308	535	2,134	639	7,243
Serbia	2,206	657	10	532	115	1,550
Other	**5,899**	**1,006**	**607**	**6**	**393**	**4,893**
Total	**273,778**	**122,208**	**10,597**	**79,488**	**32,123**	**151,570**
Dec 18						
Austria	**137,925**	**62,400**	**5,454**	**46,242**	**10,703**	**75,525**
EBOe & Subs.	43,286	24,048	2,137	19,165	2,746	19,239
Savings Banks	63,536	29,264	1,440	24,426	3,398	34,272
Other Austria	31,103	9,088	1,878	2,651	4,559	22,014
CEE	**112,297**	**47,042**	**3,456**	**26,229**	**17,358**	**65,254**
Czech Republic	57,594	27,848	1,078	11,797	14,973	29,745
Slovakia	18,596	8,117	93	7,651	373	10,479
Romania	15,480	5,034	1,460	2,710	864	10,446
Hungary	8,907	2,397	307	1,690	400	6,509
Croatia	9,852	3,091	511	1,933	647	6,762
Serbia	1,868	555	7	447	101	1,313
Other	**5,642**	**888**	**448**	**18**	**421**	**4,755**
Total	**255,864**	**110,330**	**9,358**	**72,489**	**28,482**	**145,534**

Credit risk exposure by financial instrument and collateral

in EUR million	Total credit risk exposure	Collateral total	Collateralised by Guaran-tees	Real estate	Other	Credit risk exposure net of collateral	IFRS 9 impairment relevant Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
Dec 19									
Cash and cash balances - demand deposits to credit institutions	1,196	189	0	0	189	1,007	1,139	56	0
Debt instruments held for trading	5,694	1,022	153	1	868	4,672	0	0	0
Non-trading debt instruments at FVPL	2,818	437	289	136	12	2,381	0	0	0
Debt instruments at FVOCI	8,590	925	925	0	0	7,664	8,587	3	0
Debt instruments at AC	207,150	112,644	8,310	76,360	27,973	94,507	200,902	2,486	3,762
Debt securities	26,774	1,144	1,141	0	3	25,631	26,771	0	4
Loans and advances to banks	23,063	20,811	822	0	19,990	2,252	23,064	0	2
Loans and advances to customers	157,312	90,689	6,348	76,360	7,981	66,624	151,067	2,486	3,757
Trade and other receivables	1,480	6	2	1	3	1,473	1,317	85	78
Finance lease receivables	4,169	2,322	57	350	1,915	1,847	3,763	122	284
Debt instruments held for sale in disposal groups	0	0	0	0	0	0	0	0	0
Positive fair value of hedge accounting derivatives	130	0	0	0	0	130	0	0	0
Off-balance sheet exposures	42,552	4,662	861	2,640	1,162	37,889	38,077	35	302
thereof other commitments	4,137	314	21	71	222	3,823	0	0	0
Total	**273,778**	**122,208**	**10,597**	**79,488**	**32,123**	**151,570**	**253,786**	**2,787**	**4,426**
Dec 18									
Cash and cash balances - demand deposits to credit institutions	1,009	68	0	0	68	941	1,003	6	0
Debt instruments held for trading	5,516	1,116	79	0	1,037	4,401	0	0	0
Non-trading debt instruments at FVPL	2,938	223	48	159	16	2,715	0	0	0
Debt instruments at FVOCI	8,828	782	782	0	0	8,045	8,828	0	0
Debt instruments at AC	192,413	101,123	7,180	69,552	24,390	91,290	186,196	1,862	4,354
Debt securities	26,059	778	778	0	0	25,281	26,055	0	4
Loans and advances to banks	19,111	16,656	358	0	16,299	2,455	19,108	0	2
Loans and advances to customers	147,243	83,689	6,045	69,552	8,092	63,555	141,033	1,862	4,348
Trade and other receivables	1,441	17	5	1	11	1,423	1,236	84	121
Finance lease receivables	3,914	2,239	61	500	1,677	1,676	3,462	168	284
Debt instruments held for sale in disposal groups	0	0	0	0	0	0	0	0	0
Positive fair value of hedge accounting derivatives	132	41	0	0	41	91	0	0	0
Off-balance sheet exposures	39,673	4,721	1,203	2,277	1,241	34,952	35,719	69	393
thereof other commitments	3,493	317	157	67	93	3,176	0	0	0
Total	**255,864**	**110,330**	**9,358**	**72,489**	**28,482**	**145,534**	**236,444**	**2,189**	**5,152**

The collateral attributable to exposures that are credit-impaired at 31 December 2019 amounts to EUR 1,881 million (2018: EUR 2,134 million).

Loans and advances to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken down by different categories. Loans and advances to customers comprise:

_ loans to customers at FVPL;
_ loans and advances to customers at AC;
_ finance lease receivables;
_ trade and other receivables.

The presentation is by gross carrying amount excluding loan loss allowances and collateral.

On the following pages, loans and advances to customers are presented by:

_ business segment and risk category;
_ business segment and IFRS 9 treatment;
_ geographical segment and risk category;
_ geographical segment and IFRS 9 treatment;
_ business segment and coverage of non-performing loans and advances to customers by loan loss allowances and collateral;
_ business segment and coverage by loan loss allowances and IFRS 9 treatment;
_ geographical segment and coverage of non-performing loans and advances to customers by loan loss allowances and collateral;
_ geographical segment and coverage by loan loss allowances and IFRS 9 treatment;
_ business segment and currency;
_ geographical segment and currency.

Loans and advances to customers by business segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 19					
Retail	50,297	5,385	2,277	1,454	59,413
Corporates	46,518	5,308	1,759	1,266	54,851
Group Markets	896	33	5	0	934
ALM & LCC	199	15	77	59	351
Savings Banks	39,959	5,319	1,196	1,349	47,823
GCC	24	7	2	13	46
Total	**137,892**	**16,066**	**5,317**	**4,142**	**163,417**
Dec 18					
Retail	46,081	6,542	2,350	1,560	56,533
Corporates	41,998	4,844	1,568	1,721	50,131
Group Markets	1,097	107	1	0	1,205
ALM & LCC	126	41	73	11	251
Savings Banks	36,944	4,881	1,236	1,586	44,647
GCC	57	3	7	3	69
Total	**126,303**	**16,418**	**5,234**	**4,881**	**152,836**

Loans and advances to customers by business segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Dec 19							
Retail	53,491	4,067	1,379	136	59,073	340	59,413
Corporates	49,049	4,371	1,066	233	54,719	132	54,851
Group Markets	888	46	0	0	934	0	934
ALM & LCC	274	17	59	0	351	0	351
Savings Banks	41,373	5,074	1,320	46	47,814	9	47,823
GCC	27	3	13	0	43	3	46
Total	**145,104**	**13,578**	**3,837**	**415**	**162,934**	**483**	**163,417**
Dec 18							
Retail	51,191	3,631	1,411	158	56,391	142	56,533
Corporates	45,262	3,039	1,431	316	50,047	84	50,131
Group Markets	1,190	15	0	0	1,205	0	1,205
ALM & LCC	225	15	11	0	251	0	251
Savings Banks	38,767	4,257	1,499	61	44,586	61	44,647
GCC	64	1	3	0	69	0	69
Total	**136,700**	**10,958**	**4,355**	**536**	**152,549**	**287**	**152,836**

Stage 1 and Stage 2 comprise not credit impaired loans and advances while Stage 3 includes credit impaired loans and advances. POCI (purchased or originated credit impaired) consists of loans already credit impaired when purchased or originated.

The defaulted part of POCI loans amounted to EUR 281 million (2018: EUR 418 million), the non-defaulted part to EUR 134 million (2018: EUR 117 million).

Loans and advances to customers by geographical segment and risk category

in EUR million	Low risk	Management attention	Substandard	Non-performing	Total
Dec 19					
Austria	**85,578**	**7,958**	**1,912**	**2,191**	**97,639**
EBOe & Subs.	31,302	2,303	540	500	34,645
Savings Banks	39,959	5,319	1,196	1,349	47,823
Other Austria	14,317	337	177	341	15,172
CEE	**52,268**	**8,101**	**3,403**	**1,938**	**65,709**
Czech Republic	23,703	3,909	1,057	519	29,188
Slovakia	11,540	1,175	1,296	426	14,437
Romania	6,890	1,073	448	359	8,771
Hungary	3,534	866	307	124	4,831
Croatia	5,451	817	242	489	6,999
Serbia	1,149	261	52	20	1,483
Other	**46**	**7**	**2**	**13**	**69**
Total	**137,892**	**16,066**	**5,317**	**4,142**	**163,417**
Dec 18					
Austria	**79,323**	**7,323**	**2,132**	**2,635**	**91,413**
EBOe & Subs.	29,870	2,104	682	601	33,256
Savings Banks	36,944	4,881	1,236	1,586	44,647
Other Austria	12,510	339	214	448	13,511
CEE	**46,803**	**9,058**	**3,095**	**2,216**	**61,172**
Czech Republic	22,308	3,612	1,054	492	27,466
Slovakia	9,204	2,601	1,095	438	13,337
Romania	6,279	1,109	396	476	8,260
Hungary	3,055	646	257	152	4,109
Croatia	4,996	847	257	638	6,739
Serbia	961	244	36	21	1,262
Other	**177**	**36**	**7**	**30**	**250**
Total	**126,303**	**16,418**	**5,234**	**4,881**	**152,836**

Loans and advances to customers by geographical segment and IFRS 9 treatment

in EUR million	Stage 1	Stage 2	Stage 3	POCI	Customer loans (AC)	Not subject to IFRS 9 impairment	Total
Dec 19							
Austria	**85,639**	**9,700**	**2,123**	**68**	**97,530**	**109**	**97,639**
EBOe & Subs.	31,130	3,001	496	6	34,633	12	34,645
Savings Banks	41,373	5,074	1,320	46	47,814	9	47,823
Other Austria	13,136	1,624	307	16	15,084	88	15,172
CEE	**59,415**	**3,875**	**1,701**	**347**	**65,338**	**372**	**65,709**
Czech Republic	27,169	1,467	489	32	29,157	31	29,188
Slovakia	13,519	474	358	85	14,437	0	14,437
Romania	7,102	1,272	300	97	8,770	1	8,771
Hungary	4,071	247	80	94	4,491	340	4,831
Croatia	6,154	352	456	37	6,999	0	6,999
Serbia	1,399	63	18	2	1,482	0	1,482
Other	**50**	**3**	**13**	**0**	**66**	**3**	**69**
Total	**145,104**	**13,578**	**3,837**	**415**	**162,934**	**483**	**163,417**
Dec 19							
Austria	**80,911**	**7,771**	**2,478**	**101**	**91,261**	**153**	**91,413**
EBOe & Subs.	30,136	2,503	568	17	33,224	32	33,256
Savings Banks	38,767	4,257	1,499	61	44,586	61	44,647
Other Austria	12,007	1,011	410	22	13,451	60	13,511
CEE	**55,612**	**3,145**	**1,847**	**435**	**61,038**	**134**	**61,172**
Czech Republic	25,598	1,380	464	21	27,463	3	27,466
Slovakia	12,561	330	343	103	13,337	0	13,337
Romania	6,905	853	372	128	8,259	1	8,260
Hungary	3,656	121	83	119	3,979	130	4,109
Croatia	5,699	411	567	62	6,739	0	6,739
Serbia	1,192	50	18	2	1,262	0	1,262
Other	**177**	**43**	**30**	**0**	**250**	**0**	**250**
Total	**136,700**	**10,958**	**4,355**	**536**	**152,549**	**287**	**152,836**

In the following tables, the non-performing loans and advances to customers divided by reporting segment are contrasted with allowances for customer loans (all allowances for loans and advances to customers within the scope of IFRS 9) and the collateral for non-performing loans (NPL). The NPL ratio, the NPL coverage ratio (excluding collateral), and the NPL collateralisation ratio are also included.

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

	Non-performing		Customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Dec 19												
Retail	1,454	1,452	59,413	59,073	-1,202	617	616	2.4%	2.5%	82.8%	42.4%	42.4%
Corporates	1,266	1,247	54,851	54,719	-1,069	481	481	2.3%	2.3%	85.7%	38.0%	38.5%
Group Markets	0	0	934	934	-2	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	59	59	351	351	-26	48	48	16.9%	16.9%	44.0%	81.5%	81.5%
Savings Banks	1,349	1,347	47,823	47,814	-861	695	693	2.8%	2.8%	63.9%	51.5%	51.5%
GCC	13	11	46	43	-13	5	3	28.4%	25.6%	115.3%	40.4%	29.5%
Total	**4,142**	**4,117**	**163,417**	**162,934**	**-3,174**	**1,847**	**1,842**	**2.5%**	**2.5%**	**77.1%**	**44.6%**	**44.7%**
Dec 18												
Retail	1,560	1,557	56,533	56,391	-1,310	637	636	2.8%	2.8%	84.2%	40.9%	40.9%
Corporates	1,721	1,701	50,131	50,047	-1,256	621	620	3.4%	3.4%	73.8%	36.1%	36.5%
Group Markets	0	0	1,205	1,205	-4	0	0	0.0%	0.0%	>500.0%	0.0%	0.0%
ALM & LCC	11	11	251	251	-19	1	1	4.3%	4.3%	180.6%	9.4%	9.4%
Savings Banks	1,586	1,583	44,647	44,586	-971	785	782	3.6%	3.6%	61.4%	49.5%	49.4%
GCC	3	1	69	69	-2	3	1	4.1%	1.0%	237.5%	99.8%	99.2%
Total	**4,881**	**4,853**	**152,836**	**152,549**	**-3,563**	**2,046**	**2,041**	**3.2%**	**3.2%**	**73.4%**	**41.9%**	**42.1%**

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

Loans and advances to customers at AC and coverage by loan loss allowances by business segment and IFRS 9 treatment

	Loans to customers				Loan loss allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 19											
Retail	53,491	4,067	1,379	136	-116	-214	-827	-44	5.3%	60.0%	32.8%
Corporates	49,049	4,371	1,066	233	-137	-157	-682	-93	3.6%	64.0%	40.1%
Group Markets	888	46	0	0	-1	-1	0	0	3.1%	98.7%	100.0%
ALM & LCC	274	17	59	0	-1	-5	-20	0	29.9%	34.5%	0.0%
Savings Banks	41,373	5,074	1,320	46	-86	-143	-629	-3	2.8%	47.7%	5.5%
GCC	27	3	13	0	0	0	-13	0	0.1%	96.6%	0.0%
Total	**145,104**	**13,578**	**3,837**	**415**	**-341**	**-520**	**-2,172**	**-140**	**3.8%**	**56.6%**	**33.9%**
Dec 18											
Retail	51,191	3,631	1,411	158	-124	-203	-913	-71	5.6%	64.7%	45.0%
Corporates	45,262	3,039	1,431	316	-138	-131	-900	-87	4.3%	62.9%	27.4%
Group Markets	1,190	15	0	0	-3	0	0	0	0.9%	87.0%	100.0%
ALM & LCC	225	15	11	0	0	-11	-8	0	68.4%	79.0%	0.0%
Savings Banks	38,767	4,257	1,499	61	-78	-131	-747	-16	3.1%	49.8%	25.5%
GCC	64	1	3	0	0	0	-1	0	1.2%	46.4%	0.0%
Total	**136,700**	**10,958**	**4,355**	**536**	**-344**	**-476**	**-2,570**	**-174**	**4.3%**	**59.0%**	**32.4%**

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

	Non-performing		Customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage ratio	NPL collateralisation ratio	
in EUR million	Total	AC	Total	AC	AC	Total	AC	Total	AC	AC	Total	AC
Dec 19												
Austria	**2,191**	**2,171**	**97,639**	**97,530**	**-1,367**	**1,128**	**1,126**	**2.2%**	**2.2%**	**63.0%**	**51.5%**	**51.9%**
EBOe & Subs.	500	500	34,645	34,633	-290	286	286	1.4%	1.4%	58.0%	57.2%	57.3%
Savings Banks	1,349	1,347	47,823	47,814	-861	695	693	2.8%	2.8%	63.9%	51.5%	51.5%
Other Austria	341	323	15,172	15,084	-216	147	147	2.2%	2.1%	66.8%	43.0%	45.3%
CEE	**1,938**	**1,935**	**65,709**	**65,338**	**-1,794**	**713**	**712**	**2.9%**	**3.0%**	**92.7%**	**36.8%**	**36.8%**
Czech Republic	519	519	29,188	29,157	-500	124	124	1.8%	1.8%	96.3%	24.0%	24.0%
Slovakia	426	426	14,437	14,437	-344	169	169	3.0%	3.0%	80.8%	39.7%	39.7%
Romania	359	359	8,771	8,770	-417	138	138	4.1%	4.1%	116.3%	38.5%	38.5%
Hungary	124	122	4,831	4,491	-115	74	73	2.6%	2.7%	93.8%	59.8%	59.8%
Croatia	489	489	6,999	6,999	-390	203	203	7.0%	7.0%	79.7%	41.4%	41.4%
Serbia	20	20	1,482	1,482	-29	5	5	1.4%	1.4%	140.3%	22.9%	22.9%
Other	**13**	**11**	**69**	**66**	**-13**	**5**	**3**	**19.0%**	**16.8%**	**115.5%**	**40.4%**	**29.5%**
Total	**4,142**	**4,117**	**163,417**	**162,934**	**-3,174**	**1,847**	**1,842**	**2.5%**	**2.5%**	**77.1%**	**44.6%**	**44.7%**
Dec 18												
Austria	**2,635**	**2,617**	**91,413**	**91,261**	**-1,591**	**1,265**	**1,263**	**2.9%**	**2.9%**	**60.8%**	**48.0%**	**48.3%**
EBOe & Subs.	601	600	33,256	33,224	-368	308	308	1.8%	1.8%	61.4%	51.3%	51.3%
Savings Banks	1,586	1,583	44,647	44,586	-971	785	782	3.6%	3.6%	61.4%	49.5%	49.4%
Other Austria	448	434	13,511	13,451	-251	173	173	3.3%	3.2%	57.9%	38.6%	39.8%
CEE	**2,216**	**2,208**	**61,172**	**61,038**	**-1,956**	**778**	**777**	**3.6%**	**3.6%**	**88.6%**	**35.1%**	**35.2%**
Czech Republic	492	492	27,466	27,463	-497	101	101	1.8%	1.8%	101.2%	20.6%	20.6%
Slovakia	438	438	13,337	13,337	-354	192	192	3.3%	3.3%	80.9%	44.0%	44.0%
Romania	476	469	8,260	8,259	-477	159	159	5.8%	5.7%	101.7%	33.5%	34.0%
Hungary	152	150	4,109	3,979	-128	86	85	3.7%	3.8%	85.3%	56.6%	56.4%
Croatia	638	638	6,739	6,739	-469	234	234	9.5%	9.5%	73.5%	36.6%	36.6%
Serbia	21	21	1,262	1,262	-29	5	5	1.7%	1.7%	139.4%	23.9%	23.9%
Other	**30**	**28**	**250**	**250**	**-16**	**3**	**1**	**12.1%**	**11.3%**	**56.9%**	**9.3%**	**2.5%**
Total	**4,881**	**4,853**	**152,836**	**152,549**	**-3,563**	**2,046**	**2,041**	**3.2%**	**3.2%**	**73.4%**	**41.9%**	**42.1%**

Total gross customer loans, total non-performing loans, and total collateral include both AC and FVPL portfolios.

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

The NPL coverage ratio is calculated by dividing total loss allowances by the gross carrying amount of the non-performing loans and advances to customers. Collateral is not taken into account.

Loans and advances to customers at AC and coverage by loan loss allowances by geographical segment and IFRS 9 treatment

	Loans to customers				Loan loss allowances				Coverage ratio		
in EUR million	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
Dec 19											
Austria	**85,639**	**9,700**	**2,123**	**68**	**-130**	**-230**	**-1,004**	**-3**	**2.4%**	**47.3%**	**3.8%**
EBOe & Subs.	31,130	3,001	496	6	-29	-55	-206	0	1.8%	41.5%	0.0%
Savings Banks	41,373	5,074	1,320	46	-86	-143	-629	-3	2.8%	47.7%	5.5%
Other Austria	13,136	1,624	307	16	-16	-31	-169	0	1.9%	54.9%	0.0%
CEE	**59,415**	**3,875**	**1,701**	**347**	**-210**	**-290**	**-1,155**	**-138**	**7.5%**	**67.9%**	**39.8%**
Czech Republic	27,169	1,467	489	32	-68	-77	-335	-19	5.3%	68.4%	60.1%
Slovakia	13,519	474	358	85	-35	-36	-220	-53	7.6%	61.6%	62.2%
Romania	7,102	1,272	300	97	-37	-122	-229	-29	9.6%	76.3%	29.9%
Hungary	4,071	247	80	94	-13	-25	-55	-21	10.3%	69.4%	22.8%
Croatia	6,154	352	456	37	-48	-24	-303	-15	6.8%	66.4%	39.3%
Serbia	1,399	63	18	2	-9	-6	-13	-1	9.0%	73.6%	38.1%
Other	**50**	**3**	**13**	**0**	**0**	**0**	**-13**	**0**	**0.1%**	**96.6%**	**0.0%**
Total	**145,104**	**13,578**	**3,837**	**415**	**-341**	**-520**	**-2,172**	**-140**	**3.8%**	**56.6%**	**33.9%**
Dec 18											
Austria	**80,911**	**7,771**	**2,478**	**101**	**-132**	**-204**	**-1,231**	**-24**	**2.6%**	**49.7%**	**24.1%**
EBOe & Subs.	30,136	2,503	568	17	-34	-53	-273	-9	2.1%	48.1%	50.3%
Savings Banks	38,767	4,257	1,499	61	-78	-131	-747	-16	3.1%	49.8%	25.5%
Other Austria	12,007	1,011	410	22	-21	-20	-211	0	1.9%	51.4%	0.0%
CEE	**55,612**	**3,145**	**1,847**	**435**	**-211**	**-271**	**-1,324**	**-149**	**8.6%**	**71.7%**	**34.3%**
Czech Republic	25,598	1,380	464	21	-77	-85	-326	-9	6.2%	70.2%	46.1%
Slovakia	12,561	330	343	103	-36	-34	-233	-51	10.3%	68.0%	49.9%
Romania	6,905	853	372	128	-30	-100	-301	-47	11.7%	80.8%	36.4%
Hungary	3,656	121	83	119	-14	-16	-63	-35	13.4%	76.5%	29.1%
Croatia	5,699	411	567	62	-46	-29	-389	-6	7.0%	68.5%	10.1%
Serbia	1,192	50	18	2	-8	-8	-13	-1	15.1%	72.1%	40.6%
Other	**177**	**43**	**30**	**0**	**-1**	**-1**	**-15**	**0**	**2.3%**	**47.9%**	**0.0%**
Total	**136,700**	**10,958**	**4,355**	**536**	**-344**	**-476**	**-2,570**	**-174**	**4.3%**	**59.0%**	**32.4%**

The NPL exposures above exclude any write-offs recognised in accordance with IFRS 9. Erste Group distinguishes between contractual write-offs (debt forgiveness towards the defaulted client, either unconditional or subject to conditions) and technical write-offs (claim removal from the books due to no reasonable expectation of recovery, whereby the legal claim towards the customer still remains). Both types of write-offs have as a pre-condition that all reasonable workout measures and late collections tools have been applied for optimal recovery. In case of collateralised loans, write-off prior to the realisation of the collateral is not allowed unless specific circumstances apply. Additional technical write-off triggers include enforcement, worthlessness of claim/collateral, legally binding bankruptcy/liquidation or other economic loss of the rights to claim/sale. The amount written off during 2019, which is still subject to enforcement activity, totals EUR 253 million (2018: 266 million).

Loans and advances to customers by business segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Dec 19						
Retail	31,789	25,790	1,211	20	603	59,413
Corporates	40,293	10,300	193	2,684	1,381	54,851
Group Markets	656	148	0	100	29	934
ALM & LCC	196	114	0	40	0	351
Savings Banks	44,643	708	1,809	87	575	47,823
GCC	22	24	0	0	0	46
Total	**117,599**	**37,084**	**3,214**	**2,931**	**2,589**	**163,417**
Dec 18						
Retail	31,111	23,548	1,340	15	519	56,533
Corporates	36,134	9,963	205	2,738	1,091	50,131
Group Markets	890	209	0	103	3	1,205
ALM & LCC	153	93	0	4	0	251
Savings Banks	41,462	457	2,013	98	617	44,647
GCC	34	21	0	14	0	69
Total	**109,784**	**34,291**	**3,558**	**2,972**	**2,231**	**152,836**

Loans and advances to customers by geographical segment and currency

in EUR million	EUR	CEE-LCY	CHF	USD	Other	Total
Dec 19						
Austria	**89,317**	**0**	**3,185**	**2,637**	**2,500**	**97,639**
EBOe & Subs.	33,167	0	1,325	60	93	34,645
Savings Banks	44,643	0	1,809	87	1,284	47,823
Other Austria	11,507	0	51	2,490	1,124	15,172
CEE	**28,261**	**37,042**	**28**	**289**	**90**	**65,709**
Czech Republic	3,822	25,155	0	151	60	29,188
Slovakia	14,391	0	0	16	30	14,437
Romania	3,192	5,471	0	108	0	8,771
Hungary	1,282	3,541	6	2	0	4,831
Croatia	4,426	2,544	22	7	0	6,999
Serbia	1,147	331	0	4	0	1,482
Other	**22**	**42**	**0**	**5**	**0**	**69**
Total	**117,599**	**37,084**	**3,214**	**2,931**	**2,589**	**163,417**
Dec 18						
Austria	**83,141**	**0**	**3,512**	**2,646**	**2,114**	**91,413**
EBOe & Subs.	31,641	0	1,455	57	103	33,256
Savings Banks	41,462	0	2,013	98	1,074	44,647
Other Austria	10,039	0	45	2,490	937	13,511
CEE	**26,448**	**34,255**	**45**	**307**	**117**	**61,172**
Czech Republic	3,628	23,659	1	101	78	27,466
Slovakia	13,282	0	0	25	30	13,337
Romania	3,308	4,843	0	109	0	8,260
Hungary	1,041	3,059	7	2	0	4,109
Croatia	4,222	2,413	28	67	9	6,739
Serbia	968	281	10	4	0	1,262
Other	**195**	**36**	**0**	**19**	**0**	**250**
Total	**109,784**	**34,291**	**3,558**	**2,972**	**2,231**	**152,836**

'CEE-LCY' refers to the CEE geographical segment view where the local currency is the currency of the respective country (e.g. CZK in Czech Republic, RON in Romania etc.).

Securitisations

As of 31 December 2019, Erste Group held a further reduced residual portfolio of securitisations; there were no new investments undertaken and all repayments were made as scheduled in 2019.

As of year-end 2019, the carrying amount of Erste Group's securitisation portfolio totalled EUR 21.8 million. The entire exposure consists of three individual transactions, which are triple-, double- and single-A rated.

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 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.

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 in recent 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 within the scope of the regular market risk reporting.

The implemented market risk model was approved by the 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 measured with a long horizon risk measure, covering interest rate risk, credit spread risk of the banking book and foreign exchange risk of equity participations. In 2019, the methodology for this calculation was changed, allowing Erste Group to calculate 250,000 historical scenarios. This methodology is used to calculate the capital requirements according to the ICAAP with a theoretical holding period of 1 year and a confidence level of 99.92%. In addition, the same methodology is used to calculate the VaR, consistent to the trading book methodology, with a 1 day holding period and a 99% confidence level. The result of these calculations is presented in the Group ALCO to the management board.

Analysis of market risk

The following tables show the VaR 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 thousand	Total	Interest	Credit spread	Currency	Shares	Commodity	Volatility
Dec 19							
Erste Group	34,079	22,960	11,195	775	370	133	747
Banking book	30,985	19,790	11,195	-	-	-	-
Trading book	3,094	3,170	-	775	370	133	747
Dec 18							
Erste Group	37,335	25,353	11,967	536	637	91	330
Banking book	31,741	19,774	11,967	-	-	-	-
Trading book	5,594	5,579	-	536	637	91	330

The table above is adjusted compared to the annual report 2018. This is because the calculation methodology for the 99% VaR for the banking book was adjusted in order to be harmonized with the new methodology to calculate the capital requirement according to the ICAAP. With this methodology it is now possible to show the total 99% VaR for the banking book as well as the 99% VaR for the interest rate risk and the 99% VaR for the credit spread risk. The figures for 2018 are re-stated reflecting the new methodology in order to be comparable.

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 applied to sovereign issuers only. 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.

Erste Group responded 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, in recent years by adjusting its methodologies for measuring the interest rate risk. For internal risk calculations and for the regulatory interest rate risk measures, the maximum downward shock is floored according to the Annex III of the EBA guidelines on the management of interest rate risk arising from non-trading activities (EBA/GL/2018/02).

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
Dec 19					
Fixed-interest gap in EUR positions	1,889.7	4,018.4	2,928.4	2,128.5	1,088.8
Fixed-interest gap in CZK positions	3,890.6	2,748.6	3,147.9	2,128.1	945.7
Fixed-interest gap in HUF positions	1,040.9	646.5	443.9	-32.9	33.4
Fixed-interest gap in RON positions	1,683.2	879.2	292.4	267.2	0.2
Dec 18					
Fixed-interest gap in EUR positions	1,187.8	2,949.0	2,317.9	3,115.9	1,119.1
Fixed-interest gap in CZK positions	3,528.2	2,826.9	2,809.1	1,813.0	734.9
Fixed-interest gap in HUF positions	538.3	939.8	432.5	-78.9	7.8
Fixed-interest gap in RON positions	1,502.8	728.2	581.6	243.8	0.3

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 2019 and the corresponding open positions of these currencies as of 31 December 2018 (excluding foreign currency positions arising from equity participation).

Open foreign currency positions

in EUR thousand	Dec 18	Dec 19
Czech Koruna (CZK)	9,494	-61,217
Hungarian Forint (HUF)	-4,076	-18,943
Swiss Franc (CHF)	797	-18,262
Romanian Leu (RON)	14,427	12,494
Croatian Kuna (HRK)	-6,186	11,570
US Dollar (USD)	45,123	11,014
British Pound (GBP)	7,087	9,919
Japanese Yen (JPY)	-8,103	2,485
Polish Zloty (PLN)	4,365	-2,137
Canadian Dollar (CAD)	8,110	-1,135

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 standardised approach for Pillar 1 of regulatory capital requirements. For the issuer specific risk of the trading book in Pillar 2, the spread risk is broken down into a systematic and a residual part risk and reported on an aggregated level. In the above VaR table, credit spread risk for the trading book is part of the interest component.

Quantifying 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 ICAAP calculations to determine the capital consumption of the banking book portfolio.

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 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, fair value hedges and cash flow hedges are used. In addition the fair value option is used for hedging the market risk from the economic perspective. Most of the hedging within Erste Group concerns hedging of interest rate risk. The remainder is hedging of foreign exchange rate risk.

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 2019, customer deposits remained the primary source of funding for Erste Group. The growth in loan volume was in line with inflows of customer deposits, and the excess liquidity was mainly placed with central banks.

With regards its own issuance, Erste Group Bank AG issued EUR 4.0 billion in bonds in 2019 (2018: EUR 3.4 billion) which in net terms was in accordance with the size of the budgeted figure. EUR 1.0 billion (2018: EUR 2.5 billion) was collected via two mortgage covered bonds in benchmark size. EUR 1.3 billion (2018: EUR 808 million) was collected by issuing senior preferred bonds, of which EUR 0.5 billion were printed via one benchmark sized transaction and the rest via private placements or the retail network. Moreover, an inaugural senior non-preferred transaction was issued which made up additional EUR 0.5 billion. Tier 2 subordinated debt issuance amounted to EUR 0.6 billion (2018: EUR 108 million). Furthermore, an additional tier 1 benchmark bond (EUR 0.5 bn) was issued. This was offset by repurchases of EUR 266 million (2018: EUR 116 million). The average tenor of all new issues in 2019 is approximately 7.1 years (2018: 7.2 years).

Erste Group's total TLTRO participation in 2019 was reduced to EUR 1.9 billion (2018: 3.5 billion).

Liquidity ratios
The regulatory liquidity ratios Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are well implemented in Erste Group. The LCR is calculated in Erste Group according to the Delegated Regulation (EU) 2015/61 (LCR DA). In 2019, the calculation of the NSFR was adjusted in order to be aligned with the requirements as defined in the proposal for amending the Directive 2013/36/EU (Draft CRR 2).

Methods and instruments employed
Short-term insolvency risk is monitored by calculating the survival period 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. Starting with 2018, an updated version of the survival period analysis came into force. It contained, among other improvements, an extension of the stress horizon up to 12 months, dependent on the stress scenario.

Erste Group calculates the Liquidity Coverage Ratio according to the Delegated Regulation (EU) 2015/61 and reports this ratio on a monthly basis to the authorities on a solo and group level. Furthermore, the LCR is part of the internal Risk Appetite Statement (RAS). LCR limits are defined in the RAS targeting to be well above the regulatory requirement of 100%. Additionally, Erste Group implemented the NSFR according to the Draft CRR 2 requirements. Internally, these ratios (LCR and NSFR) are monitored on entity level as well as on a group level. For regulatory purposes Erste Group is reporting the NSFR according to the Basel rules in the quarterly SREP Exercise (Short Term Exercise).

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 structural 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 funding structure and 'Counterbalancing Capacity' (CBC 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.

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. Therefore, 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 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.

Liquidity coverage ratio

in EUR million	Dec 18	Dec 19
Liquidity buffer	47,678	46,315
Net liquidity outflow	31,763	31,299
Liquidity coverage ratio	150.1%	148.0%

Structural liquidity gaps. The long-term liquidity position is managed using structural liquidity gaps on the basis of contractual and partially behavioural cash flows of all liquidity relevant components of the balance sheet (on-balance and off-balance). This liquidity position is calculated for each material currency.

Cash flows are broken down by contractual maturities in accordance with the amortisation schedule and arranged in maturity ranges. All customer products without contractual maturities (such as demand deposits and overdrafts) are included according to a going concern maturity profile using model based on statistically observed client behaviour.

Structural liquidity gap

	0-12 months		1-3 years		3-5 years		> 5 years	
in EUR million	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19	Dec 18	Dec 19
Liquidity gap	4,902	13,548	-12,101	-5,321	-10,915	-3,360	17,367	-6,465

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 cash inflows from liquid securities amounting to EUR 33.6 billion (2018: EUR 30.4 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.

In 2019, Erste Group updated the behavioral model for sight deposits. This change in modelling shifted significant volume of out-flows from the time buckets below 5 years to the >5 years bucket.

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.

Term structure of counterbalancing capacity

in EUR million	< 1 week	1 week-1 month	1-3 months	3-6 months	6-12 months
Dec 19					
Cash, excess reserve	5,831	0	0	0	0
Liquid assets	36,499	-2,998	-1,634	-2,523	-2,037
Other central bank eligible assets	5,096	-298	1,059	526	-121
Thereof retained covered bonds	1,330	0	1,296	750	0
Thereof credit claims	1,709	0	0	0	18
Counterbalancing capacity	**47,426**	**-3,297**	**-575**	**-1,997**	**-2,158**
Dec 18					
Cash, excess reserve	11,641	-233	0	0	0
Liquid assets	38,659	-6,848	-1,750	-1,961	-2,523
Other central bank eligible assets	3,531	-119	1,094	349	-41
Thereof retained covered bonds	1,232	0	1,265	490	0
Thereof credit claims	658	0	0	0	0
Counterbalancing capacity	**53,831**	**-7,199**	**-656**	**-1,612**	**-2,564**

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 can decrease this amount. The initial counterbalancing capacity available at group level is reduced by additional stressed haircuts. Negative figures are maturing positions of the counterbalancing capacity. Positive figures after one week are positions not immediately available as counterbalancing capacity.

Financial liabilities. Maturities of contractual undiscounted cash flows from financial liabilities (interest payments only considered for derivative liabilities) were as follows:

Financial liabilities

in EUR million	Carrying amounts	Contractual cash flows	< 1 month	1-12 months	1-5 years	> 5 years
Dec 19						
Non-derivative liabilities	**216,842**	**217,231**	**147,320**	**28,535**	**25,571**	**15,805**
Deposits by banks	13,141	13,765	5,758	2,487	3,852	1,667
Customer deposits	173,331	174,770	141,406	23,449	8,010	1,906
Debt securities in issue	23,888	23,546	151	2,134	11,273	9,988
Subordinated liabilities	6,482	5,149	5	465	2,435	2,244
Derivative liabilities	**2,275**	**2,126**	**6**	**576**	**1,034**	**508**
Derivatives liabilities with netted Cash Flows	-	2,043	128	413	986	516
Derivatives liabilities with gross Cash Flow (net)	-	82	-122	163	48	-8
Outflows	-	63,199	46,724	9,451	6,146	878
Inflows	-	-63,117	-46,846	-9,288	-6,098	-886
Contingent liabilities	**-**	**42,552**	**42,552**	**0**	**0**	**0**
Financial guarantees	-	7,190	7,190	0	0	0
Commitments	-	35,362	35,362	0	0	0
Other financial liabilities	**1,211**	**1,211**	**1,211**	**0**	**0**	**0**
Total	**220,328**	**263,119**	**191,089**	**29,111**	**26,605**	**16,313**
Dec 18						
Non-derivative liabilities	**210,034**	**209,701**	**139,456**	**29,933**	**25,738**	**14,573**
Deposits by banks	17,658	18,710	8,581	2,469	5,967	1,693
Customer deposits	162,638	164,503	130,726	24,781	7,349	1,647
Debt securities in issue	23,908	21,467	147	2,385	9,731	9,204
Subordinated liabilities	5,830	5,021	2	299	2,691	2,029
Derivative liabilities	**2,277**	**2,129**	**270**	**462**	**952**	**444**
Contingent liabilities	**-**	**39,673**	**39,673**	**0**	**0**	**0**
Financial guarantees	-	7,378	7,378	0	0	0
Commitments	-	32,295	32,295	0	0	0
Other financial liabilities	1,459	1,459	1,459	0	0	0
Total	**213,770**	**252,961**	**180,858**	**30,396**	**26,691**	**15,017**

As of year-end 2019, the currency composition of the non-derivative liabilities consisted of approximately 69% EUR, 18% CZK, 4% USD, 4% RON, and 5% in other currencies (2018: 68% EUR, 18% CZK, 5% USD, 4% RON and 5% in other currencies).

Besides the contingent liabilities from unused credit lines and guarantees, material potential cash outflow is calculated from the collateralised derivative transactions for the stress testing, following a historical lookback approach, which amounted to EUR 960.0 million (2018: EUR 864.4 million) in the worst-case scenario as of 31 December 2019.

As of 31 December 2019, the volume of customer deposits due on demand amounted to EUR 121.6 billion (2018: EUR 110.2 billion). According to customer segments, the customer demand deposits are composed as follows: 65% private individuals, 15% large corporates, 14% small and medium-sized enterprises, 4% public sector, and 2% non-banking financial institutions (2018: 64% private individuals, 15% large corporates, 14% small and medium-sized enterprises, 4% public sector, and 2% non-banking financial institutions).

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 are 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 calculates capital requirements for operational risk based on the Advanced Measurement Approach (AMA) that is subject to regulatory approval. AMA is a sophisticated approach for 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 and control assessments through expert panels. Additional methods include setting of key risk indicators and risk assessments in connection with product approvals, outsourcing assessments and risk return decisions. The results of these assessments and processes are reported to line management along with mitigation measures and thus help to reduce operational risks. In order to ensure early detection of changes in the risk profile that may lead to losses, Erste Group monitors a number of key risk indicators such as system availability, staff turnover, and customer complaints.

Erste Group uses a group-wide insurance program that has reduced the cost of meeting Erste Group's traditional property insurance needs. Freed-up resources 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.

47. Hedge accounting

Hedges of interest rate risk

As an inherent part of its business Erste Group is exposed to interest rate risk arising from the interest characteristics and behavior of assets, liabilities and off balance sheet items. This relates to the existing balance sheet items as well as to expected development of the balance sheet and banking activities. Interest rate risk can generally be defined as a potential deterioration of a bank's financial condition in reaction to adverse movements in market interest rates.

Hedge accounting activities relate to interest risk bearing exposures in the banking book. The interest rate risk of the banking book is managed by Group Asset Liability Management (ALM). Interest rate risk management actions of ALM are approved as part of the ALM strategy by Group Asset Liability Committee (ALCO). For hedging relationships qualifying for hedge accounting hedge effectiveness is measured by risk management unit which is independent from ALM as the risk taker.

The objective of the interest rate risk management in the banking book is to optimise the risk and return of interest rate risk exposures. For this purpose and for compliance with external and internal regulations and limitations Erste Group manages the interest rate risk from the earnings and economic value perspectives. The focal point of the interest rate risk analysis from the earnings perspective is the variation in earnings, i.e. the net interest income. The changes in interest rates have an impact on the bank's earnings via its distinct impact on interest income and interest expenses accrued on assets and liabilities respectively. The economic value perspective views the interest rate risk as changes in the economic value of equity. It can be identified as the present value of cash-flows arising from asset, liability and off-balance-sheet items. Change in interest rates alters both the size of future cash-flows and the value of discount rates applied in the calculation.

Existing balance sheet items and contributions of planned or forecast transactions are analysed through the earnings and economic value based metrics. Erste Group keeps the risk within predefined limits. When actively managing interest rate risk ALM gives preference to entering into bonds and derivatives. In general, the policy of Erste Group is to swap all substantial fixed or structured issued bonds to floating items. In addition of managing the interest rate risk using derivative transactions and investments in bonds, also the intended non-hedging of benchmark issues with derivatives is used for managing the interest rate risk.

Interest rate swaps are the most common derivatives used to manage interest rate. If fixed rate repricing profiles of assets or liabilities do not fit to the interest rate risk management strategy they are swapped into variable rate items (usually 3-month money market rate such as Euribor). In other cases, variable rate repricing profiles of assets or liabilities may need to be swapped into fixed rate items.

Erste Group employs hedge accounting to address accounting mismatches resulting from different measurement requirements for derivatives which are measured at fair value through profit or loss and financial assets and liabilities in the banking book measured at amortised cost or at fair value through other comprehensive income. Some of the accounting mismatches are addressed by designating financial assets or financial liabilities as measured at FVPL (fair value option) without the need to use hedge accounting.

Fair value hedges address the risk management activities of swapping fixed rate assets or liabilities into variable rate. On the other hand, cash flow hedges are used when floating rates assets or liabilities are swapped into fixed ones (please refer also to the discussion of proxy hedges below).

For hedges of interest rate risk of portfolios of prepayable fixed rate loans Erste Group applies requirements for portfolio fair value hedges of interest rate risk as regulated by IAS 39.AG114-AG132. For this purpose, Erste Group makes use of the relaxation provided by the EU-carve out and hedges the interest rate risk in respect of so called bottom layer amount. The bottom layer amount is expected not to be affected by prepayments of loans (including a margin of conservatism). Thus, it represents a stable fixed interest rate exposure which is hedged by using interest rate swaps. With this approach, any prepayments, other derecognitions and impairments are attributed to the unhedged buffer amount above the designated bottom layer. Thus, they do not affect the hedge effectiveness unless their amount hits the designated hedged bottom layer level.

Fair value hedges are designated in respect of the interest rate risk component of the fair value changes of the hedged fixed rate items. The hedged interest rate risk portion in fair value hedges relates to the observed interest rate (swap yield curve) component. I.e. the fair value volatility resulting from changes in the spread of the hedged fixed rate instrument swap yield curve is excluded from hedge accounting and is not accounted for.

Similarly, in cash flow hedges the hedged risk is designated in respect of the variable cash flows portion equal to the interest index of the swap (such as Euribor, Libor). The credit spreads over the swap index are excluded from hedge accounting.

The hedging interest derivatives are economically related to the hedged interest rate risk component of the hedged item. The non-interest components (such as credit spreads) of the hedged items are outside the hedging relationship. As a result, comparable valuation inputs are applied on both sides of the hedging relationship. Thus offsetting effects are recognised to the extent the economic relationship exists without giving rise to artificial volatility in profit or loss. The hedged interest risk component is the most significant factor affecting fair value changes of the hedged item.

The designated hedging relationships normally correspond to the economic hedges set up by ALM when managing the interest rate risk. However, in some cases, the hedging derivatives may not be directly related to specific assets or liabilities but they manage the overall interest risk position. Also, the derivatives may relate to instruments which do not qualify as hedged items under the IFRS hedge accounting requirements. In order to account for risk mitigating effects of such derivatives Erste Group searches for suitable hedged items providing the best fit to the terms of the derivative and designates an effective hedging relationship (so called proxy hedges). Typically cash flow hedges of variable rate assets are designated on such a basis whereby the actual economically hedged risk may result from modelled fixed rate profile of demand deposit liabilities.

Erste Group has following types of hedged items in hedges of interest rate risk as of 31 December 2019:

		Hedged notional amount	
in EUR million	Type of hedged items	Dec 18	Dec 19
Fair value hedges			
Assets	Portfolios of client loans	455	319
Assets	Single loans	390	383
Assets	Bonds at FVOCI	693	543
Assets	Bonds at AC	641	600
Liabilities	Issued bonds	9,221	9,412
Liabilities	Other liabilities/repos	200	54
Cash flow hedges			
Assets	Interbank loans/repos	1,561	1,580
Assets	Client loans	1,876	1,608
Assets	Corporate/government bonds	93	94

Portfolio hedges of defined bottom layer amounts (bottom layer hedges) are disclosed in the table with the nominal hedged bottom layer amounts.

The hedge ratio is chosen in compliance with the rules defined in IAS 39. The volume of the hedging instrument which is designated for the hedge relation can never be greater than the volume of the hedged item. If the notional of a hedging derivative is greater than the notional of the hedged item the respective proportion of the derivative is designated as hedging instrument. Further, the tenor of the hedging instrument is never longer than the tenor of the hedged item.

Sources of hedge ineffectiveness can result from:
- designation of hedging instruments and hedged items during their life rather than from their inception
- different discounting curves applied for hedged item and hedging instrument
- different interest tenors of hedging swaps and hedged variable rate items in cash flow hedges
- volatility of present value of floating leg of hedging swaps in fair value hedges
- different trade dates for the hedging instrument and the hedged item
- real prepayments of a loan portfolio deviating from expected prepayments
- credit risk adjustments (CVA, DVA) on the hedging derivatives

Foreign exchange risk
The objective of foreign exchange risk management in the banking book is to avoid unfavorable market movements of foreign exchange rates which could impact profit or loss of Erste Group. Only a minor part of foreign exchange risk management activities requires using of hedge accounting. Currently fixed rate corporate or government bonds with notional amount of EUR 57 million are hedged in cash flow hedges by using cross currency swaps as hedging instruments.

Quantitative disclosures

In the tables below, detailed information related to hedging instruments and hedged items in fair value and cash flow hedges as of 31 December 2019 are reported. The indicated values for fair value hedges include single hedges as well as portfolio hedges, which due to immateriality are not shown separately.

Hedging instruments

Dec 19	Carrying amount				Timing of the nominal amounts of the instruments			
in EUR million	Assets	Liabilities	Change in FV for the period used for calculating hedge ineffectivness	Notional	≤ 3 m	> 3 m and ≤ 1 y	> 1 y and ≤ 5 y	> 5 y
Fair value hedges								
Interest rate risk	110	188	181	11,234	33	1,093	4,952	5,155
Cash flow hedges								
Interest rate risk	20	79	-20	3,280	0	39	2,094	1,147
Foreign exchange risk	1	2	-4	252	10	21	68	152
Total	**130**	**269**	**156**	**14,766**	**43**	**1,154**	**7,114**	**6,455**

Dec 18	Carrying amount				Timing of the nominal amounts of the instruments			
in EUR million	Assets	Liabilities	Change in FV for the period used for calculating hedge ineffectivness	Notional	≤ 3 m	> 3 m and ≤ 1 y	> 1 y and ≤ 5 y	> 5 y
Fair value hedges								
Interest rate risk	96	205	9	11,510	104	611	4,761	6,033
Cash flow hedges								
Interest rate risk	36	71	28	3,574	4	0	1,874	1,697
Foreign exchange risk	0	1	-1	57	0	0	0	57
Total	**132**	**277**	**37**	**15,142**	**108**	**611**	**6,635**	**7,788**

The hedging instruments are presented in the line 'Hedge accounting derivatives' in the balance sheet.

Hedged items in fair value hedges

Dec 19		Hedge adjustments		
in EUR million	Carrying amount	included in the carrying amount	Thereof: for the period used for recognition of hedge ineffectiveness	Remaining adjustments for terminated hedges
Financial assets at FVOCI				
Interest rate risk	600	91	0	25
Financial assets at AC				
Interest rate risk	1,632	115	20	24
Financial liabilities at AC				
Interest rate risk	9,900	361	-199	148

Dec 18		Hedge adjustments		
in EUR million	Carrying amount	included in the carrying amount	Thereof: for the period used for recognition of hedge ineffectiveness	Remaining adjustments for terminated hedges
Financial assets at FVOCI				
Interest rate risk	765	101	-11	22
Financial assets at AC				
Interest rate risk	1,513	115	-11	5
Financial liabilities at AC				
Interest rate risk	9,914	282	10	47

The hedged items are disclosed in the following line items in the balance sheet:

_ Financial assets at fair value through other comprehensive income / debt securities
_ Financial assets at amortised cost / loans and advances to customers
_ Financial assets at amortised cost / debt securities
_ Financial liabilities at amortised cost / debt securities issued

Hedged items in cash flow hedges

Dec 19 in EUR million	Change in FV for the period used for calculating hedge ineffectiveness	Cash flow hedge reserve for continuing hedges	Cash flow hedge reserve for terminated hedges
Interest rate risk	25	-65	18
Foreign exchange risk	5	-6	0
Total	**29**	**-71**	**18**

Dec 18 in EUR million	Change in FV for the period used for calculating hedge ineffectiveness	Cash flow hedge reserve for continuing hedges	Cash flow hedge reserve for terminated hedges
Interest rate risk	-29	-40	42
Foreign exchange risk	1	-1	0
Total	**-28**	**-41**	**42**

Effects of hedge accounting in profit or loss and other comprehensive income

Dec 19			Cash flow hedge reclassified to profit or loss because	
in EUR million	Hedge ineffectiveness recognised in P&L	Hedging gains/losses recognized in OCI	the hedged item has affected profit or loss	the hedged future cash flows are no longer expected to occur
Fair value hedges				
Interest rate risk	2	0	0	0
Cash flow hedges				
Interest rate risk	4	-25	-25	0
Foreign exchange risk	0	-4	0	0
Total	**6**	**-29**	**-25**	**0**

Dec 18			Cash flow hedge reclassified to profit or loss because	
in EUR million	Hedge ineffectiveness recognised in P&L	Hedging gains/losses recognized in OCI	the hedged item has affected profit or loss	the hedged future cash flows are no longer expected to occur
Fair value hedges				
Interest rate risk	-3	0	0	0
Cash flow hedges				
Interest rate risk	-1	29	-31	0
Foreign exchange risk	0	-1	0	0
Total	**-4**	**28**	**-31**	**0**

Ineffectiveness from both fair value and cash flow hedges is presented under ’Net trading result’ in the statement of income. The amounts reclassified from the cash flow hedge reserve are presented in the line ’Other similar income’ under ’Net interest income’ for hedges of interest rate risk and ’Net trading result’ for hedges of foreign exchange risk.

Application of the Interest Rate Benchmark Reform IAS 39 amendments

Erste Group considers that it is exposed to uncertainties resulting from interest rate benchmark reform in respect of its hedges of CHF LIBOR interest risk. Hedging instruments with nominal amount of CHF 200 million (EUR 184,3 million) designated in fair value hedges of debt securities issued are affected. Their hedging period reaches beyond 2021 when uncertainties about existence of CHF LIBOR rates arise.

If CHF LIBOR rates cease to be quoted they are assumed to be replaced by SARON (Swiss Average Rate Overnight) rates. There are significant differences between these rates. CHF LIBOR is a forward looking ‘term rate’ published at a start of a borrowing period with certain tenor (such as 3 months), i.e. it is ‘forward-looking’. SARON is an overnight rate resulting from actual transactions. The term structure of SARON rate is expected to be developed on a ‘backward-looking’ basis, e.g. a 3-month SARON would be based on a compounded average of overnight SARON rates over the 3-month period calculated at its end. Moreover, LIBOR rates in general include a credit spread component reflecting the riskiness of an interbank market for respective tenors. As a result, the replacement rates will have as a foundation the term SARON rate and on top a spread adjustment to ensure economic equivalence addressing the tenor, credit risk and other differences.

When it comes to the replacement, the CHF interest rate swap hedging instruments will be affected both by replacements of the reference rate used for their floating legs and the change in the discounting curve. On the hedged items side, the hedged benchmark interest rate risk portion will be affected only by change in the discounting curve. Further, the switch to the new discounting curves may occur at different points in time for the hedging instruments and the hedged items.

As a result, of these uncertainties, Erste Group decided to apply early the amendments to IAS 39 Interest Rate Benchmark Reform which bring some reliefs enabling not to discontinue these hedges as long as uncertainties arising from the reform exist. More specifically, it is necessary to prove that the non-contractually specified benchmark portion of interest rate risk (resulting from the CHF LIBOR curve) is separately identifiable only at the hedge inception and not during the hedge life. For testing of prospective effectiveness it is assumed that the hedging instrument and the hedged risk of the hedged item do not change as a result of the reform. If the retrospective effectiveness requirements were not met the hedges would not need to be discontinued. However, any hedge ineffectiveness would be accounted for in profit or loss. Application of these reliefs will cease when there is no longer uncertainty about the CHF LIBOR-based cash flows of the hedging instruments and the hedged benchmark interest rate risk portion.

Erste Group also hedges interest rate risks in EUR, CZK and USD. However, for these currencies it does not consider to be exposed to uncertainties resulting from the reform. For EUR all the hedges relate to EURIBOR interest rates which have been reformed and are EU Benchmark Regulation compliant. The same applies in CZK for PRIBOR, whose calculation methodology is expected to be strengthened in 2020 while continuing to measure the same underlying interest. Erste Group has designated one hedge of USD LIBOR interest risk which will expire in 2020. Thus, it is not deemed to be exposed to uncertainties around the reform since LIBOR rates will not be ceased before 2022.

Erste Group has established an internal project led by Asset-Liability Management to oversee the interest benchmark transition with the aim to minimize the potential disruption to business and to mitigate operational and conduct risks and possible financial losses. This transition project will include changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications.

48. Fair value of financial instruments

For all financial instruments the fair value is measured 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 2015, as a consequence of the negative interest environment, valuation models of interest rate options for the respective currencies were adjusted. Log-normal valuation models were replaced by standard market models which are based on a shifted log-normal distribution or a standard distribution. For such models negative interest rates are no restriction.

Loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these loans corresponds to the basic present value technique where expected cash flows of assets are discounted by the full rate including risk premium required for non-market risk based part of the interest rate to be compliant with fair value definition. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer’s probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread.. The complex loan products are valued by Monte Carlo simulation approach to include convexity correction and time value of embedded options.

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

Equity instruments. Non-trading equity instruments which have quoted market prices in an active market are valued by using the quoted market price. For other investments in non-trading equity instruments the fair value is determined by standard valuation models using also unobservable input parameters. These models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method. The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognized in an investee’s statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting fair values of the recognized and unrecognized assets and liabilities should therefore represent the fair value of the investee’s equity. The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the 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.

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined in line with similar instruments held as assets. Erste Group derives its own credit spread for the respective seniority class according to the principle of market opportunity cost and the cost of issuing primary benchmark bonds in the capital market. An important input factor for the spread levels are indications from external investment banks, which Erste Group receives on a regular basis. For every seniority of issued bonds with accounting treatment FVO, a specified valuation curve is applied. The spreads are validated on a regular basis from an independent Risk Management unit.

OTC-derivative financial instruments. Derivative instruments traded in liquid markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices, credit default swaps and commodity swaps) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes and Hull-White type as well as hazard rate models. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo simulation. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used. For determining the fair value of derivatives collateralised in Euro, EONIA (Euro Over Night Index Average) is used as the discounting interest rate, since this index corresponds to the interest rate for cash collaterals. As a result of the IBOR reform it has been decided that EONIA will be replaced by ESTER (Euro Short-Term Rate) with a transition phase until 31. December 2021. For existing derivatives the switch to the new interbank rate has to be renegotiated with all CSA contract partner on a bilateral basis. Since London Clearing House has announced to switch to ESTER in June 2020 Erste Group expects that all bilateral contracts will be changed after that date. The transition of all CSA's from EONIA to ESTER will change the discounting method as well. Any change in valuation caused by this transition shall be offsetted by a compensation payment.

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

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

According to the described methodology the accumulated CVA-adjustments amounted to EUR 15.7 million (2018: EUR 15.1 million) and the total DVA-adjustment amounted to EUR 2.8 million (2018: EUR 4.1 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 asset backed securities (ABS), collateralized debt obligations (CDO), own issues and deposits.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor on the basis of valuation models that rely entirely on observable market data. In these cases individual valuation parameters which are not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. 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. Furthermore, fund units issued by investment funds fully consolidated by Erste Group as well as own issues are reported in this category.

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

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

	Dec 18				Dec 19			
in EUR million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Financial assets HfT	1,419	4,085	80	5,584	2,209	3,457	93	5,760
Derivatives	2	2,974	61	3,037	7	2,720	79	2,805
Other financial assets held for trading	1,417	1,111	19	2,547	2,202	737	14	2,954
Non-trading financial assets at FVPL	2,239	293	778	3,310	1,985	302	922	3,208
Equity instruments	31	24	317	372	55	5	330	390
Debt securities	2,208	268	174	2,651	1,929	297	109	2,335
Loans and advances	0	0	287	287	0	0	483	483
Financial assets at FVOCI	7,707	1,063	502	9,272	7,745	845	457	9,047
Equity instruments	0	0	239	239	1	0	209	210
Debt securities	7,707	1,063	263	9,033	7,744	845	247	8,836
Hedge accounting derivatives	0	131	1	132	0	129	1	130
Total assets	**11,365**	**5,573**	**1,361**	**18,299**	**11,939**	**4,733**	**1,473**	**18,144**
Liabilities								
Financial liabilities HfT	465	2,030	14	2,508	371	2,045	5	2,421
Derivatives	2	1,985	14	2,000	3	1,997	5	2,005
Other financial liabilities held for trading	463	45	0	508	368	48	0	416
Financial liabilities at FVPL	618	12,943	561	14,122	366	12,821	308	13,494
Deposits from customers	0	212	0	212	0	265	0	265
Debt securities issued	618	12,731	96	13,446	366	12,556	89	13,011
Other financial liabilities	0	0	464	464	0	0	219	219
Hedge accounting derivatives	0	277	0	277	0	269	0	269
Total liabilities	**1,083**	**15,249**	**574**	**16,907**	**736**	**15,135**	**313**	**16,185**

Derivatives transacted via Clearing Houses are presented after netting in compliance with their balance sheet treatment. The netted derivatives are allocated to Level 2.

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

Valuation process for financial instruments categorised as Level 3

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

Changes in volumes of Level 1 and Level 2

Changes in Level 1 and Level 2 volumes of financial instruments carried at fair value in the balance sheet

in EUR million	Dec 18 Level 1	Dec 18 Level 2	Dec 19 Level 1	Dec 19 Level 2
Securities				
Net transfer from Level 1		525		-60
Net transfer from Level 2	-525		60	
Net transfer from Level 3	1	-76	3	146
Purchases/sales/expiries	-4,234	-648	507	-670
Changes in derivatives	-7	-1,081	4	-256
Total year-to-date change	**-4,765**	**-1,280**	**574**	**-840**

Movements in 2019. The total amount of Level 1 financial assets increased by EUR 574 million compared to last year. The volume of Level 1 securities increased by EUR 569 million. The main changes are caused by matured or sold assets in the amount of EUR 3,164 million and by new investments in the amount of EUR 2,530 million. Furthermore, the increase in volume for securities that were allocated to Level 1 at both reporting dates (2019 and 2018) amounted to EUR 1,125 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 79 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by governments (EUR 32 million), but also to securities issued by other corporates (EUR 24 million) and financial institutions (EUR 23 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 19 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 13 million), other corporates (EUR 4 million) as well as securities issued by financial institutions (EUR 2 million). Level 3 instruments in the amount of EUR 2 million were reclassified to Level 1. The remaining positive change in the amount of EUR 16 million was due to partial sales and fair value changes of reclassified instruments. The volume of derivatives increased by EUR 5 million.

Movements in 2018. The total amount of Level 1 financial assets decreased by EUR 4,765 million compared to last year. The change in volume of Level 1 securities (decreased by EUR 4,758 million) was determined on the one hand by matured or sold assets in the amount of EUR 2,985 million and on the other hand by new investments in the amount of EUR 2,064 million. The decrease in volume for securities that were allocated to Level 1 at both reporting dates (2018 and 2017) amounted to EUR 3,397 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 93 million could be reclassified from Level 2 to Level 1. This applied mainly to securities issued by financial institutions (EUR 72 million), but also to securities issued by governments (EUR 19 million) and other corporates (EUR 2 million). Due to lower market activity and changes to modelled fair value, securities in total of EUR 618 million have been moved from Level 1 to Level 2. This applies mainly to securities issued by governments (EUR 535 million), other corporates (EUR 58 million) as well as securities issued by financial institutions (EUR 25 million). Level 3 instruments in the amount of EUR 2 million were reclassified to Level 1. Deteriorated availability of market-observable prices led to a reclassification of EUR 1 million from Level 1 to Level 3. The remaining positive change in the amount of EUR 83 million was due to partial sales and fair value changes of reclassified instruments. The volume of derivatives decreased by EUR 7 million.

Relassification between Level 1 and Level 2 based on balance sheet positions and instruments

in EUR million	Dec 18 Level 1 to Level 2	Dec 18 Level 2 to Level 1	Dec 19 Level 1 to Level 2	Dec 19 Level 2 to Level 1
Financial assets HfT	**247**	**2**	**14**	**11**
Bonds	247	1	14	9
Funds	0	1	0	2
Non-trading financial assets at FVPL	**5**	**90**	**3**	**4**
Bonds	5	25	3	4
Funds	0	65	0	0
Financial assets at FVOCI	**366**	**2**	**2**	**64**
Bonds	366	1	2	64
Funds	0	1	0	0
Total	**618**	**94**	**19**	**79**

Movements in 2019: Financial Assets. The total value of Level 2 financial assets decreased between 2019 and 2018 by EUR 840 million. The Level 2 fair value change of securities and other receivables (down by EUR 584 million) can be explained for the most part by matured or sold positions in the amount of EUR 1,472 million and new investments in the amount of EUR 793 million. The increase in volume for securities that have been allocated to Level 2 at both reporting dates 2019 and 2018 amounted to EUR 21 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 19 million was reclassified from Level 1 to Level 2 in 2018. This applies mainly to securities issued by governments (EUR 13 million), securities issued by other corporates (EUR 4 million) and financial institutions (EUR 2 million). Securities in the amount of EUR 79 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 4 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 150 million was reclassified from Level 3 to Level 2. The remaining decrease in the amount of EUR 12 million was due to partial sales and fair value changes of reclassified instruments. The decrease on the asset side derivatives in Level 2 by EUR 256 million are caused by changes in market values and by netting effects.

Movements in 2019: Financial Liabilities. The total Level 2 financial liabilities decreased by EUR 114 million. Whereas the fair value of derivatives increased by EUR 4 million, the portfolio of securities decreased by EUR 171 million. The fair value of client deposits increased by EUR 53 million.

Movements in 2018: Financial Assets. The total value of Level 2 financial assets decreased between 2018 and 2017 by EUR 1,280 million. The Level 2 fair value change of securities and other receivables (down by EUR 199 million) can be explained for the most part by matured or sold positions in the amount of EUR 1,130 million and new investments in the amount of EUR 721 million. The reduction in volume for securities that have been allocated to Level 2 at both reporting dates 2018 and 2017 amounted to EUR 207 million due to purchases or sales in volumes and changes in market values. Due to reduced market depth a total volume of EUR 618 million was reclassified from Level 1 to Level 2 in 2018. This applies mainly to securities issued by governments (EUR 535 million), securities issued by other corporates (EUR 58 million) and financial institutions (EUR 25 million). Securities in the amount of EUR 93 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 103 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 27 million was reclassified from Level 3 to Level 2. The remaining decrease in the amount of EUR 32 million was due to partial sales and fair value changes of reclassified instruments. The decrease on the asset side derivatives in Level 2 by EUR 1,081 million are caused by changes in market values and by netting effects.

Movements in 2018: Financial Liabilities. Following the reclassification of own issues from an amortized cost treatment to a valuation at fair value, the total Level 2 financial liabilities increased by EUR 10 billion. Whereas the fair value of derivatives decreased by EUR 1 billion, the portfolio of securities increased by EUR 11 billion. The fair value of client deposits increased by EUR 163 million.

Movements in Level 3 of financial instruments carried at fair value

Development of fair value of financial instruments in Level 3

in EUR million		Gains/ losses profit or loss	Gains/ losses OCI	Purch- ases	Sales	Settle- ments	Addition to Group	Disposal out of Group	Transfer into Level 3	Transfer out of Level 3	Currency trans- lation	
	Dec 18											**Dec 19**
Assets												
Financial assets HfT	80	25	0	4	-5	-2	0	0	2	-11	0	93
Derivatives	61	26	0	3	-5	-1	0	0	2	-7	0	79
Other financial assets held for trading	19	0	0	2	-1	-1	0	0	0	-5	0	14
Non-trading financial assets at FVPL	778	23	0	768	-298	-182	0	0	1	-162	-6	922
Equity instruments	317	5	0	40	-5	-9	0	0	1	-20	0	330
Debt securities	174	14	0	55	-4	-15	0	0	0	-116	0	109
Loans and advances	287	4	0	672	-290	-158	0	0	0	-26	-6	483
Financial assets at FVOCI	502	1	66	6	-50	-59	19	0	21	-47	-2	457
Equity instruments	239	0	53	0	-43	-47	0	0	9	-1	0	209
Debt securities	263	1	13	6	-7	-11	19	0	12	-46	-2	247
Hedge accounting derivatives	1	0	0	1	0	0	0	0	0	-1	0	1
Total assets	**1,361**	**50**	**66**	**779**	**-354**	**-242**	**19**	**0**	**24**	**-222**	**-8**	**1,473**
Liabilities												
Financial liabilities HfT	14	-7	0	0	0	-1	0	0	0	0	0	5
Derivatives	14	-7	0	0	0	-1	0	0	0	0	0	5
Financial liabilities at FVPL	561	22	0	143	-85	-6	0	-318	87	-96	-1	308
Deposits from customers	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities issued	96	5	0	0	0	-2	0	0	87	-96	-1	89
Other financial liabilities	464	17	0	143	-85	-4	0	-318	0	0	0	219
Total liabilities	**574**	**15**	**0**	**143**	**-85**	**-7**	**0**	**-318**	**87**	**-96**	**-1**	**313**
	Jan 18											**Dec 18**
Assets												
Financial assets HfT	68	5	0	7	-25	-7	0	0	40	-8	0	80
Derivatives	25	5	0	0	0	-3	0	0	40	-5	0	61
Other financial assets held for trading	43	0	0	7	-25	-4	0	0	1	-2	0	19
Non-trading financial assets at FVPL	859	56	0	112	-159	-117	2	-1	74	-43	-5	778
Equity instruments	230	65	0	50	-39	0	2	0	19	-10	0	317
Debt securities	150	-4	0	6	-6	-14	0	-1	53	-11	1	174
Loans and advances	479	-5	0	55	-114	-104	0	0	3	-22	-6	287
Financial assets at FVOCI	446	0	25	12	-4	-21	0	0	165	-119	-2	502
Equity instruments	167	0	28	0	-2	0	0	0	46	0	0	239
Debt securities	278	0	-3	12	-2	-21	0	0	120	-119	-1	263
Hedge accounting derivatives	0	1	0	0	0	0	0	0	0	0	0	1
Total assets	**1,373**	**62**	**25**	**131**	**-188**	**-146**	**2**	**-1**	**280**	**-169**	**-7**	**1,361**
Liabilities												
Financial liabilities HfT	5	2	0	2	0	-1	0	0	6	0	0	14
Derivatives	5	2	0	2	0	-1	0	0	6	0	0	14
Financial liabilities at FVPL	1,128	15	0	3	0	-80	0	-4	160	-660	0	561
Deposits from customers	137	0	0	0	0	0	0	0	0	-137	0	0
Debt securities issued	456	0	0	3	0	0	0	0	160	-523	0	96
Other financial liabilities	534	15	0	0	0	-80	0	-4	0	0	0	464
Total liabilities	**1,132**	**17**	**0**	**5**	**0**	**-82**	**0**	**-4**	**166**	**-660**	**0**	**574**

Movements in 2019. 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. Based on the described analysis securities in the amount of EUR 4 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 4 million). On the other hand securities in the amount of EUR 150 million were reclassified from Level 3 to Level 2. Thereof EUR 113 million are securities issued by financial institutions, EUR 34 million are securities issued by other corporates and EUR 3 million are issued by central governments. The movement from Level 3 to Level 1 amounted to EUR 2 million. Loans and advances which are measured at fair value under IFRS 9 increased by EUR 197 million. The additional change in Level 3 positions was on the one hand caused by a increase in derivative exposure of EUR 17 million and on the other hand by an increase caused by the purchase, sale and market value change of securities in the amount of EUR 46 million.

Movements in 2018. 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 103 million were reclassified from Level 2 to Level 3. The change is coming from securities issued by financial institutions (EUR 53 million) and securities from other corporates in the amount of EUR 50 million. On the other hand securities in the amount of EUR 27 million were reclassified from Level 3 to Level 2. Thereof EUR 18 million are securities issued by other corporates, EUR 5 million by financial institutions and EUR 4 million are securities issued by sovereigns. The movement from Level 3 to Level 1 amounted to EUR 2 million, while EUR 1 million were reclassified from Level 1 to Level 3. The main driver for the increase in Level 3 instruments of EUR 284 million can be allocated to loans and advances which are measured at fair value under IFRS 9. The additional change in Level 3 positions was on the one hand caused by an increase in derivative exposure of EUR 40 million and on the other hand by an increase caused by the purchase, sale and market value change of securities in the amount of EUR 108 million.

Gains/losses in profit or loss on Level 3 instruments held at the end of the reporting period

in EUR million	1-12 18	1-12 19
Assets		
Financial assets HfT	8.1	26.4
Derivatives	8.3	26.6
Other financial assets held for trading	-0.2	-0.2
Non-trading financial assets at FVPL	54.2	24.5
Equity instruments	63.9	6.0
Debt securities	-2.9	14.8
Loans and advances	-6.8	3.7
Financial assets at FVOCI	-1.1	-2.7
Debt securities	-1.1	-2.7
Hedge accounting derivatives	1.3	0.0
Total	**62.4**	**48.1**

For financial liabilities designated at FVPL in Level 3 a valuation of EUR -6.7 million was posted via income statement for the end of the reporting period (2018: EUR -17.0 million).

The volume of Level 3 financial assets can be allocated to the following 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 non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- Loans which do not comply with the contractual cash flow criteria.

Unobservable inputs and sensitivity analysis for Level 3 measurements

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

Range of unobservable valuation parameters used in Level 3 measurements

Financial assets	Type of instrument	Fair value in EUR million	Valuation technique	Significant unobservable inputs	Range of unobservable inputs (weighted average)
Dec 19					
Positive fair value of derivatives	Forwards, swaps, options	75.8	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.66%-100% (4.40%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	6.1	Discounted cash flow	Credit Spread	0.81%-6.21% (3.29%)
	Loans	483,4	Discounted cash flow	PD	0%-39.70% (0.81%)
				LGD	0%-79.30% (25.18%)
Financial assets at FVOCI	Fixed and variable coupon bonds	140.9	Discounted cash flow	Credit Spread	1.23%-7.27% (4.31%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	214.8	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 0.92-0.96 Recreation 0.93 Real Estate (General/Diversified) 0.75 Financial Svcs. (Non-bank & Insurance) 0.93-1.02 Banks (Regional) 0.58
				Country risk premium	Croatia 2.79%, Austria 0.37% Czech Republic 0.65% Romania 2.04%, Russia 2.04%, Slovakia 0.79%, Spain 1.48%, Hungary 2.04% Resulting cost of equity based on above inputs: 6.32%-11.01%
		191.7	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		159.0	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.
Dec 18					
Positive fair value of derivatives	Forwards, swaps, options	54.9	Discounted cash flow and option models with CVA adjustment based on potential future exposure	PD	0.59%-100% (5.59%)
				LGD	60%
Financial assets at FVPL	Fixed and variable coupon bonds	91.6	Discounted cash flow	Credit Spread	0.81%-4.87% (3.53%)
	Loans	286.6	Discounted cash flow	PD	0%-43.38% (0.98%)
				LGD	0%-85.69% (19.14%)
Financial assets at FVOCI	Fixed and variable coupon bonds	75.1	Discounted cash flow	Credit Spread	1.95%-7.27% (4.39%)
Financial assets at FVOCI / at FVPL	Non-trading equity instruments (participations)	174.6	Dividend Discount Model; Simplified Income Approach	Beta relevered	Industries: Insurance (General) 1.22-1.25 Recreation 0.95 Real Estate (General/Diversified) 0.82 Financial Svcs. (Non-bank & Insurance) 0.94-1.04 Banks (Regional) 0.74
				Country risk premium	Croatia 3.47%, Austria 0.41%-0.46% Czech Republic 0.81% Romania 2.26%, Russia 2.89%, Slovakia 0.98%, Spain 1.85% Resulting cost of equity based on above inputs: 7.42%-13.73%
		162.8	Adjusted Net Asset Value	Adjusted Equity	Depending on accounting equity of investment.
		40.4	Market comparable companies	EV / SALES EV / EBITDA EV / EBIT P/E P/E (implicit) P/B	Depending on industry classification according to Damodaran.

Equity instruments with a fair value in amount of EUR 147.9 million are assessed on the basis of expert opinions.

For equity instruments other than participations classified as Level 3, the amount of EUR 25.6 million (2018: EUR 23.4 million) is presented in the statement of financial position using the criteria of availability and quality of broker quotes.

Sensitivity analysis using reasonably possible alternatives per product type

in EUR million	Dec 18 Fair value changes Positive	Dec 18 Fair value changes Negative	Dec 19 Fair value changes Positive	Dec 19 Fair value changes Negative
Derivatives	2.2	-2.8	2.4	-3.2
Income statement	2.2	-2.8	2.4	-3.2
Debt securities	45.3	-60.3	11.6	-15.5
Income statement	23.7	-31.5	2.4	-3.2
Other comprehensive income	21.6	-28.8	9.2	-12.3
Equity instruments	71.6	-52.8	106.5	-67.6
Income statement	36.2	-31.6	62.7	-42.5
Other comprehensive income	35.4	-21.2	43.8	-25.1
Loans and advances	9.5	-24.8	10.8	-29.7
Income statement	9.5	-24.8	10.8	-29.7
Total	**128.6**	**-140.7**	**131.3**	**-116.0**
Income statement	**71.6**	**-90.7**	**78.3**	**-78.6**
Other comprehensive income	**57.0**	**-50.0**	**53.0**	**-37.4**

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

The following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:
_ for debt securities range of credit spreads between +100 basis points and -75 basis points
_ for equity related instruments the price range between -10% and +5%
_ for unquoted equity instruments measured by the adjusted net asset value the price range between -10% and +10%
_ for unquoted equity instruments measured by dividend discount model/simplified income approach the cost of equity range beween -2% and +2%
_ for CVA on derivatives PDs rating upgrade/downgrade by one notch, as well as the change of LGD by -5% and +10%.
_ for loans, the PDs rating upgrade/downgrade by 1%, the change of LGD by -5% and +10% and a range of credit spreads between +100 basis points and -75 basis points

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

in EUR million	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Dec 19					
Assets					
Cash and cash balances	10,693	10,693	0	0	0
Financial assets at AC	204,162	208,412	25,273	2,637	180,503
Loans and advances to banks	23,055	23,072	0	0	23,072
Loans and advances to customers	154,344	157,342	0	0	157,342
Debt securities	26,764	27,998	25,273	2,637	89
Finance lease receivables	4,034	4,024	0	0	4,024
Assets held for sale	0	0	0	0	0
Trade and other receivables	1,408	1,412	0	0	1,412
Liabilities					
Financial liabilities at AC	204,143	204,392	10,472	6,631	187,289
Deposits from banks	13,141	13,337	0	0	13,337
Deposits from customers	173,066	172,948	0	0	172,948
Debt securities issued	17,360	17,531	10,472	6,631	428
Other financial liabilities	576	577	0	0	577
Financial guarantees and commitments					
Financial guarantees	n/a	82			82
Irrevocable commitments	n/a	357			357

in EUR million	Carrying amount	Fair Value	Level 1	Level 2	Level 3
Dec 18					
Assets					
Cash and cash balances	17,549	17,549	0	0	0
Financial assets at AC	189,106	192,194	25,146	1,761	165,288
Loans and advances to banks	19,103	19,098	0	0	19,098
Loans and advances to customers	143,953	146,096	0	0	146,096
Debt securities	26,050	27,000	25,146	1,761	93
Finance lease receivables	3,763	3,775	0	0	3,775
Assets held for sale	11	11	0	0	11
Trade and other receivables	1,318	1,315	0	0	1,315
Liabilities					
Financial liabilities at AC	196,863	196,895	6,761	9,544	180,589
Deposits from banks	17,658	17,752	0	0	17,752
Deposits from customers	162,426	162,179	0	0	162,179
Debt securities issued	16,293	16,478	6,761	9,544	172
Other financial liabilities	486	486	0	0	486
Financial guarantees and commitments					
Financial guarantees	n/a	201			201
Irrevocable commitments	n/a	102			102

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

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

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

49. Fair value of non-financial assets

Fair values and fair value hierarchy of non-financial instruments

in EUR million	Carrying amount	Fair value	Level 1	Level 2	Level 3
Dec 19					
Assets for which the FV is disclosed in the notes					
Investment property	1,061	1,205	0	0	1,205
Assets for which the FV is presented in the balance sheet					
Assets held for sale	133	134	0	0	134
Dec 18					
Assets for which the FV is disclosed in the notes					
Investment property	959	1,082	0	0	1,082
Assets for which the FV is presented in the balance sheet					
Assets held for sale	90	103	0	0	103

Investment properties are 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.

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.

The book value related to investment properties for which no disclosure according to IFRS 13 is required amounts to EUR 205 million as of 31 December 2019 (2018: EUR 200 million). The corresponding fair value amounts to EUR 209 million (2018: EUR 216 million).

The book value related to assets held for sale for which no disclosure according to IFRS 13 is required amounts to EUR 48 million (2018: EUR 76 million) as of 31 December 2019. The corresponding fair value amounts to EUR 68 million (2018: EUR 88 million).

50. 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 2019 and 2018; the auditors being Sparkassen-Prüfungsverband (auditing agency) and Price Waterhouse Coopers. The values for PricewaterhouseCoopers comprise the services of 'PwC Wirtschaftsprüfung GmbH' as well as the PwC network.

in EUR thousand	Dec 18	Dec 19
Statutory audit of financial statements/consolidated financial statements	**12,084**	**13,187**
Audit fees - PwC	5,505	5,855
Audit fees - Sparkassen-Püfungsverband	6,579	7,332
Other assurance services	**2,152**	**1,933**
Other assurance services - PwC	921	845
Other assurance services - Sparkassen-Püfungsverband	1,232	1,088
Tax consulting	**2**	**17**
Tax consulting - PwC	2	17
Tax consulting - Sparkassen-Püfungsverband	0	0
Other services	**401**	**423**
Other services - PwC	344	372
Other services - Sparkassen-Püfungsverband	57	51
Total	**14,639**	**15,560**

The Sparkassen-Prüfungsverband (Austrian Savings Bank Auditing Association) provided audit services for an amount of EUR 1,669 thousand (2018: EUR 1,257 thousand) to Erste Group Bank AG and EUR 5,545 thousand (2018: EUR 5,247 thousand) for the subsidiaries. For other assurance services EUR 58 thousand (2018: EUR 49 thousand) were charged to the subsidiaries of Erste Group Bank AG while EUR 11 thousand (2018: EUR 18 thousand) is the amount for other services provided to the subsidiaries. The amounts in the table above include also fees for services provided by SPV GmbH.

The auditor 'PwC Wirtschaftsprüfung GmbH' provided audit services to Erste Group Bank AG for EUR 1,057 thousand (2018: EUR 1,074 thousand) and to the subsidiaries for EUR 921 thousand (2018: EUR 930 thousand). An amount of EUR 3,877 thousand (2018: EUR 3,501 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 338 thousand (2018: EUR 355 thousand).

51. 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 46 Risk management).

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. 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 principles of general civil law and that certain fees or parts of interest payments charged to customers in the past must be repaid. The allegations relate to the enforceability of certain fees as well as to contractual provisions for the adjustment of interest rates and currencies. In some jurisdictions, the legal risks in connection with loans granted in the past are also increased by the enactment of politically-motivated laws impacting existing lending relationships, which may result in repayment obligations towards customers, as well as a level of unpredictability of judicial decisions beyond the level of uncertainty generally inherent in court proceedings. The following consumer protection issues are deemed particularly noteworthy.

In Romania, BCR is, aside from being a defendant in a substantial number of individual law suits filed by consumers, among several local credit institutions pursued by the consumer protection authority for allegedly 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 a part of these cases have so far been finally decided by the courts, only few of them with an adverse result for BCR. Adverse judgments on the validity of certain clauses may have the impact of invalidating such clauses also in other similar agreements concluded by BCR with other consumers.

In Croatia, the Supreme Court of Croatia, in a proceeding initiated by a local consumer protection association against several credit institutions, among them Erste Bank Croatia, declared in 2015 that Swiss Franc (CHF) 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 credit institutions until 2008, are null and void. In late 2016, the Croatian Constitutional Court rescinded the part of the Supreme Court of Croatia decision relating to the validity of CHF clauses. After the case had been returned for a retrial with respect to the CHF clause to the court of second instance, such court delivered its decision in June 2018, declaring in essence the nullification of the CHF currency clause, holding that collective and individual consumer rights were breached. However, no specific obligation of the bank was ordered by the verdict. In September 2019 the Supreme Court rejected the appeal of the credit Institutions against the 2018 decision. The impact of this decision on legal disputes with individual clients related to CHF denominated loan agreements is difficult to predict, especially in light of the laws enacted in 2015 that forced credit institutions to accept requests from clients that are consumers or individual professionals to convert their CHF denominated loans into EUR with retroactive effect. In December 2019 the Supreme Court decided to resolve the preliminary legal issue as to whether consumers who converted their loans have any rights to a further compensation, as there are numerous individual cases pending at lower courts. Such legal holding by the Supreme Court is expected for 2020 and shall be binding for all lower instance courts when deciding on such cases.

In Austria, the Verein für Konsumenteninformation ('VKI') has in 2019 started legal proceedings against Erste Bank der oesterreichischen Sparkassen AG ('EBOe'), challenging in a collective action (Verbandsklage) the validity of a number of clauses in EBOe's general terms for a number of bank products, claiming that they are not transparent or violate other provisions of consumer protection laws or general principles of civil law and EBOe should discontinue the use of these clauses or of synonymous clauses and should no longer invoke these clauses. EBOe is defending the case.

Corporate bond investors' 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 credit institutions, among them Erste Group Bank AG, requesting compensation for their losses as bondholders following the bankruptcy of the issuer of such corporate bonds in 2013. The plaintiffs argue in essence that the defendant credit institutions, 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 credit institution, acted as joint-lead manager of the bond issuance in 2011. Erste Group Bank AG rejects the claims.

CSAS minority shareholders claims

Following the completion of a squeeze-out procedure in CSAS resulting in Erste Group Bank AG becoming the sole shareholder of CSAS, some former minority shareholders of CSAS have filed legal actions with the courts in Prague. In the case against CSAS the plaintiffs aim in essence at invalidating the shareholders´ resolution approving the squeeze-out. In the proceedings against Erste Group Bank AG the plaintiffs allege in essence that the share price of 1.328 CZK (then ca. 51 Euro per share) paid by Erste Group Bank AG in the squeeze-out of the CSAS minority shareholders in fall 2018 was unfair and too low and should be increased. In case the courts find there should be an increase, this would affect all minority shareholders squeezed-out. In the squeeze-out performed in fall 2018 Erste Group Bank AG acquired a total of 1.03 % of minority shares for a consideration of ca. EUR 80 million. Erste Group Bank AG views that the purchase price, established by a valuation done by professional external experts, was correct and fair.

52. Analysis of remaining maturities

Expected remaining maturities of assets and liabilities

in EUR million	Dec 18		Dec 19	
	< 1 year	> 1 year	< 1 year	> 1 year
Cash and cash balances	17,549	0	10,693	0
Financial assets HfT	1,378	4,206	1,864	3,895
Derivatives	722	2,316	608	2,197
Other financial assets held for trading	657	1,890	1,256	1,698
Non-trading financial assets at FVPL	314	2,324	1,140	2,009
Equity instruments	17	355	39	352
Debt securities	273	1,706	1,055	1,220
Loans and advances to customers	23	264	47	437
Financial assets at FVOCI	2,210	7,062	1,784	7,336
Equity instruments	25	213	6	277
Debt securities	2,185	6,848	1,777	7,059
Financial assets at AC	49,930	139,176	55,636	148,526
Debt securities	3,209	22,841	21,802	1,252
Loans and advances to banks	18,429	674	31,224	123,120
Loans and advances to customers	28,292	115,661	2,610	24,153
Finance lease receivables	751	3,012	392	3,643
Hedge accounting derivatives	59	74	33	97
Property and equipment	0	2,293	0	2,629
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	0	-4
Investment properties	0	1,159	0	1,266
Intangible assets	0	1,507	0	1,368
Investments in associates and joint ventures	0	198	0	163
Current tax assets	101	0	81	0
Deferred tax assets	0	402	0	475
Assets held for sale	213	0	269	0
Trade and other receivables	1,211	107	1,384	24
Other assets	705	177	736	265
Total Assets	**74,550**	**162,242**	**74,012**	**171,692**
Financial liabilities HfT	756	1,752	733	1,688
Derivatives	502	1,498	673	1,332
Other trading liabilities	254	254	60	356
Financial liabilities at FVPL	1,736	12,386	1,925	11,569
Deposits	75	137	140	125
Debt securities issued	1,197	12,249	1,566	11,444
Other financial liabilities	464	0	219	0
Financial liabilities at AC	149,090	47,773	145,649	58,495
Deposits from banks	11,915	5,743	7,113	6,028
Deposits from customers	132,406	30,021	135,323	37,743
Debt securities issued	4,312	11,981	2,673	14,688
Other financial liabilities	458	28	540	36
Lease liabilities	0	0	92	423
Hedge accounting derivatives	242	35	250	19
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	0	0
Provisions	339	0	696	1,223
Current tax liabilities	0	1,365	61	0
Deferred tax liabilities	99	0	0	18
Liabilities associated with assets held for sale	0	23	6	0
Other liabilities	1,805	521	1,628	742
Total Liabilites	**154,067**	**63,856**	**151,039**	**74,177**

53. Own funds and capital requirements

Among others, Erste Group fulfils hereinafter the disclosure requirements according to the Capital Requirements Regulation (CRR), in detail Art. 437 para 1 (a), (d) and (e) CRR. References to chapters refer to the financial statement.

Regulatory Requirements

Since 1 January 2014, Erste Group has been calculating the regulatory capital and the regulatory capital requirements according to the 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 on the one hand by taking into consideration the Austrian transitional provisions which are defined in the CRR 'Begleitverordnung', published by the Austrian regulator. On the other hand Erste Group also applies the European Regulation on the exercise of options and discretions available in Union law which entered into force 1 October 2016. 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 and institutional protection scheme'. 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: Art. 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.

An entity by entity view with detailed information on the consolidation method applied for each entity within the accounting and the regulatory scopes of consolidation are disclosed in connection with the disclosure requirements according to part 8 of the CRR.

Regulatory scope of consolidation and institutional protection scheme

The consolidated regulatory own funds and the consolidated regulatory capital requirements are calculated based on the scope of consolidation stipulated in the CRR. Based on Art. 4 para 1 (3), (16) to (27) CRR in line with Art. 18 and 19 CRR and para 30 ABA, the scope consists of credit institutions, 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 para 7 CRR. Disclosure requirements for the institutional protection scheme according to Art. 113 para 7 e CRR are met by the publication of the consolidated financial statements, which cover all entities included in the institutional protection scheme.

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

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

Consolidation methods

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

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

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

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

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

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

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

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

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

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

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

Threshold calculations according to Art. 46 and 48 CRR

in EUR million	Dec 18	Dec 19
Non-significant investments in financial sector entities		
Threshold (10% of CET1)	1,552	1,625
Holdings in CET1	-235	-181
Holdings in AT1	0	-113
Holdings in T2	-331	-192
Distance to threshold	**985**	**1,139**
Significant investments in financial sector entities		
Threshold (10% of CET1)	1,552	1,625
Holdings in CET1	-318	-281
Distance to threshold	**1,233**	**1,344**
Deferred tax assets		
Threshold (10% of CET1)	1,552	1,625
DTA that are dependent on future profitability and arise from temporary differences	-376	-373
Distance to threshold	**1,175**	**1,252**
Combined threshold for DTA and significant investments		
Threshold (17.65% of CET1)	2,739	2,869
DTA 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	-695	-654
Distance to threshold	**2,044**	**2,214**

Presentation of the scope of consolidation

Entities within the different scopes of consolidation

	IFRS		CRR			
Dec 19	**Full**	**Equity**	**Full**	**Proportional**	**De Minimis**	**Equity**
Credit institutions	67	2	67	0	1	1
Financial institutions, financial holding companies and mixed financial holding companies	145	29	144	1	29	15
Ancillary service undertakings, investment firms and asset management companies	63	1	37	0	41	1
Others	105	15	0	0	0	0

	IFRS		CRR			
Dec 18	**Full**	**Equity**	**Full**	**Proportional**	**De Minimis**	**Equity**
Credit institutions	66	2	66	0	1	1
Financial institutions, financial holding companies and mixed financial holding companies	159	33	158	1	36	16
Ancillary service undertakings, investment firms and asset management companies	64	2	37	0	42	2
Others	111	12	0	0	0	0

As of 31 December 2019 the number of companies consolidated according to IFRS was 427. The number of companies consolidated according to regulatory capital requirements, except those entities which are covered by Art. 19 para 1 and 2 CRR was 266.

Impediments to the transfer of own funds
Disclosure requirement: Art. 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: Art. 436 (d) and (e) CRR

As of 31 December 2019, there was no capital shortfall at any of the companies included in Erste Group's consolidation.

Consolidated own funds
Own funds according to CRR consist of 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 amount.

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 capital buffers as of 31 December 2019 amount to
_ 9.4% for CET1 (4.5% CET1, +2.5% capital conservation buffer, +2.0% buffer for systemic vulnerability and for systemic concentration risk and +0.41% countercyclical capital buffer),
_ 10.9% for tier 1 capital (sum of CET1 and AT1) and
_ 12.9% 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, except 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 2019, Erste Group has to fulfil the following capital buffer requirements (last year's amounts are shown in parentheses).

According to section 23 para 1 ABA, Erste Group has to establish a capital conservation buffer in the amount of 2.5% (2018: 1.875%). 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.

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 para 3, of the CRR
_ 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 related to significant credit risk positions within the national area and the total capital requirement as defined within Part 3, Title II and IV of the CRR.
_ 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 is 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 section 23a 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.

According to section 23a ABA the capital buffer requirement for the countercyclical buffer amounts to a maximum of 2.5% (2018: a 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 is 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 the buffer rates for systemic vulnerability and for systemic concentration risk 2% (2018: 1%) is applied.

As a result of the 2018 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 2019. 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 2019). In addition, Erste Group is subject to combined buffer requirement consisting of phasing in capital conservation buffer (2.5%), the institution specific countercyclical capital buffer (0.41%) and the systemic risk buffer (2.0%) requirements. Thus, overall CET1 capital requirement amount to 11.16%. In addition, ECB expects Erste Group to meet a Pillar 2 Guidance (P2G) of 1.0% valid as of 1 January 2019), fully in CET1 capital. The Pillar 2 Guidance is not MDA (maximum distributable amount) relevant.

Overview of capital requirements and capital buffers

	Dec 18	Dec 19
Pillar 1		
Minimum CET 1 requirement	4.50%	4.50%
Minimum Tier 1 requirement	6.00%	6.00%
Minimum Own Funds requirement	8.00%	8.00%
Combined buffer requirement	3.19%	4.91%
Capital conservation buffer	1.88%	2.50%
Countercyclical capital buffer	0.31%	0.41%
Systemic risk buffer	1.00%	2.00%
O-SII capital buffer	1.00%	2.00%
Pillar 2		
Pillar 2 requirement (P2R)	1.75%	1.75%
Total CET 1 requirement for Pillar 1 and Pillar 2	**9.44%**	**11.16%**
Total Tier 1 requirement for Pillar 1 and Pillar 2	**10.94%**	**12.66%**
Total Capital requirement for Pillar 1 and Pillar 2	**12.94%**	**14.66%**

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 CET 1 capital and excludes the P2G.

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

in EUR million	CRR articles	Dec 18 Phased-in	Dec 18 Final	Dec 19 Phased-in	Dec 19 Final
Common equity tier 1 capital (CET1)					
Capital instruments eligible as CET1	26(1)(a)(b), 27-30, 36(1)(f), 42	2,336	2,336	2,337	2,337
Retained earnings	26(1)(c), 26(2)	11,541	11,541	12,238	12,238
Accumulated other comprehensive income	4(1)(100), 26(1)(d)	-1,342	-1,342	-1,458	-1,458
Minority interest recognised in CET1	4(1)(120), 84	4,322	4,322	4,448	4,448
Transitional adjustments due to additional minority interests	479, 480	0	0	0	0
Common equity tier 1 capital (CET1) before regulatory adjustments		**16,857**	**16,857**	**17,565**	**17,565**
Own CET1 instruments	36(1)(f), 42	-114	-114	-68	-68
Prudential filter: cash flow hedge reserve	33(1)(a)	3	3	45	45
Prudential filter: cumulative gains and losses due to changes in own credit risk on fair valued liabilities	33(1)(b)	443	443	406	406
Prudential filter: fair value gains and losses arising from the institution's own credit risk related to derivative liabilities	33(1)(c), 33(2)	-4	-4	-3	-3
Value adjustments due to the requirements for prudent valuation	34, 105	-78	-78	-85	-85
Regulatory adjustments relating to unrealised gains (0%)	468	0	0	0	0
Regulatory adjustments relating to unrealised losses (0%)	467	0	0	0	0
Securitizations with a risk weight of 1,250%	36(1)(k)	-32	-32	-45	-45
Goodwill	4(1)(113), 36(1)(b), 37	-710	-710	-544	-544
Other intangible assets	4(1)(115), 36(1)(b), 37(a)	-726	-726	-741	-741
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	36(1)(c), 38	-21	-21	-102	-102
IRB shortfall of credit risk adjustments to expected losses	36(1)(d), 40, 158, 159	-102	-102	-158	-158
Development of unaudited risk provisions during the year (EU No 183/2014)		0	0	-17	-17
Other transitional adjustments CET1	469-472, 478, 481	0	0	0	0
Goodwill (0%)		0	0	0	0
Other intangible assets (0%)		0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
DTA allocated up to Dec 2013, that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (0%)		0	0	0	0
DTA allocated on or after Jan 2014 that rely on future profitability and do not arise from temporary differences net of associated tax liabilities (0%)		0	0	0	0
Own CET1 instruments (0%)	36(1)(f)	0	0	0	0
Common equity tier 1 capital (CET1)	**50**	**15,517**	**15,517**	**16,252**	**16,252**
Additional tier 1 capital (AT1)					
Capital instruments eligible as AT1	51(a) ,52-54, 56(a), 57	993	993	1,490	1,490
Instruments issued by subsidiaries that are given recognition in AT1	85, 86	7	7	8	8
Additional tier 1 capital (AT1) before regulatory adjustments		**1,000**	**1,000**	**1,498**	**1,498**
Own AT1 instruments	52(1)(b), 56(a), 57	-2	-2	-2	-2
Transitional adjustments due to grandfathered AT1 instruments	483(4)(5), 484-487, 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	0	0	0	0
Goodwill (0%)		0	0	0	0
Other intangibles (0%)		0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
Own CET1 instruments (0%)	36(1)(f)	0	0	0	0
Additional tier 1 capital (AT1)	**61**	**999**	**999**	**1,497**	**1,497**
Tier 1 capital = CET1 + AT1	**25**	**16,516**	**16,515**	**17,749**	**17,749**

The table will be continued on the subsequent page.

Continuation of the table:

		Dec 18		Dec 19	
in EUR million	CRR articles	Phased-in	Final	Phased-in	Final
Tier 1 capital = CET1 + AT1	**25**	**16,516**	**16,515**	**17,749**	**17,749**
Tier 2 capital (T2)					
Capital instruments and subordinated loans eligible as T2	62(a), 63-65, 66(a), 67	3,797	3,797	3,660	3,660
Instruments issued by subsidiaries recognised in T2	87, 88	241	241	267	267
Transitional adjustments due to additional recognition in T2 of instruments issued by subsidiaries	480	0	0	0	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)	371	371	328	328
Tier 2 capital (T2) before regulatory adjustments		**4,410**	**4,410**	**4,255**	**4,255**
Own T2 instruments	63(b)(i), 66(a), 67	-34	-34	-44	-44
Standardised approach general credit risk adjustments	62(c)	0	0	0	0
Other transitional adjustments to T2	476, 477, 478, 481	0	0	0	0
IRB shortfall of provisions to expected losses (0%)		0	0	0	0
T2 instruments of financial sector entities where the institution has a significant investment	4(1)(27), 66(d), 68, 69, 79	0	0	0	0
Tier 2 capital (T2)	**71**	**4,375**	**4,375**	**4,211**	**4,211**
Total own funds	**4(1)(118) and 72**	**20,891**	**20,891**	**21,961**	**21,961**
Capital requirement	**92(3), 95, 96, 98**	**9,168**	**9,228**	**9,448**	**9,484**
CET1 capital ratio	**92(2)(a)**	**13.5%**	**13.5%**	**13.8%**	**13.7%**
Tier 1 capital ratio	**92(2)(b)**	**14.4%**	**14.3%**	**15.0%**	**15.0%**
Total capital ratio	**92(2)(c)**	**18.2%**	**18.1%**	**18.6%**	**18.5%**

In accordance with Art. 26 (2) CRR the item retained earnings only includes the interim profits of EUR 659 million approved by the ECB by decision of 6 February 2020. Minority interest recognised in CET1 includes interim result from saving banks in an amount of EUR 36 million.

The capital structure table above is based on the Commission Implementing Regulation (EU) No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements, enlarged by the EBA GL 2014/14. Positions, which are not relevant for Erste Group are not disclosed. Figures shown under full implementation of Basel 3 considered the current CRR.

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

For 2018 the following percentages applied for CET1: Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities until December 2013 (80%).

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.

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 front-loads the expected difference in BCR between the treatments of exposures under the Standardised Approach compared to the treatment under IRB and is limited in time until the authorization of the IRB-approach in BCR

Furthermore Erste Group reports 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.

Erste Group was informed by the ECB in the third quarter of 2018 about a final decision in view of credit risk models, which became effective at the end of September 2018. This decision had an effect on risk weighted assets (RWA) on consolidated level of around EUR 300 million. As pre-emption of the expected effects from the implementation of the new loss given default (LGD) estimation methodology, Erste Group incorporated a RWA add-on in the amount of EUR 514 million as of the first quarter 2019.

Erste Group's AMA model change obtained regulatory approval in October 2018 under the condition of an add-on in the amount of 7% and became applicable in the fourth quarter of 2018.

The approval of the new group-wide PD estimation methodology was approved by the ECB in December 2019 with a limitation related to an application of a RWA add-on in the volume of EUR 289 million as of December 2019. With the approval of the updated group wide default definition an additional add-on was imposed in the amount of EUR 138 million as of December 2019.

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

in EUR million	CRR articles	Dec 18 Total risk (phased-in)	Dec 18 Capital requirement (phased-in)	Dec 19 Total risk (phased-in)	Dec 19 Capital requirement (phased-in)
Total Risk Exposure Amount	92(3), 95, 96, 98	114,599	9,168	118,105	9,448
Risk weighted assets (credit risk)	92(3)(a)(f)	92,549	7,404	96,325	7,706
Standardised approach		16,547	1,324	18,007	1,441
IRB approach		76,002	6,080	78,318	6,265
Settlement Risk	92(3)(c)(ii), 92(4)(b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92(3)(b)(i) and (c)(i) and (iii), 92(4)(b)	3,434	275	2,795	224
Operational Risk	92(3)(e), 92(4)(b)	15,241	1,219	14,934	1,195
Exposure for CVA	92(3)(d)	661	53	569	46
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500	2,715	217	3,483	279

in EUR million	CRR articles	Dec 18 Total risk (final)	Dec 18 Capital requirement (final)	Dec 19 Total risk (final)	Dec 19 Capital requirement (final)
Total Risk Exposure Amount	92(3), 95, 96, 98	115,354	9,228	118,556	9,484
Risk weighted assets (credit risk)	92(3)(a)(f)	93,303	7,464	96,776	7,742
Standardised approach		17,301	1,384	18,458	1,477
IRB approach		76,002	6,080	78,318	6,265
Settlement Risk	92(3)(c)(ii), 92(4)(b)	0	0	0	0
Trading book, foreign FX risk and commodity risk	92(3)(b)(i) and (c)(i) and (iii), 92(4)(b)	3,434	275	2,795	224
Operational Risk	92(3)(e), 92(4)(b)	15,241	1,219	14,934	1,195
Exposure for CVA	92(3)(d)	661	53	569	46
Other exposure amounts (incl. Basel 1 floor)	3, 458, 459, 500	2,715	217	3,483	279

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. Furthermore Erste 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 para 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 para 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 following tables show in line with Art. 437 para 1 (a) CRR the difference between the IFRS and the regulatory scope of consolidation and as well the reconciliation to the regulatory own funds.

The tables may contain rounding differences.

Balance Sheet reconciliation

in EUR million	Dec 18 IFRS	Dec 18 Effects - scope of consolidation	Dec 18 CRR	Dec 19 IFRS	Dec 19 Effects - scope of consolidation	Dec 19 CRR
Assets						
Cash and cash balances	17,549	-6	17,543	10,693	-10	10,683
Financial assets held for trading	5,584	-3	5,581	5,760	-3	5,757
Derivatives	3,037	1	3,039	2,805	2	2,807
Other financial assets held for trading	2,547	-5	2,542	2,954	-5	2,949
Pledged as collateral	163	0	163	430	0	430
Financial assets at fair value through profit or loss	0	0	0	0	0	0
Non-trading financial assets at fair value through profit or loss	3,310	-440	2,870	3,208	-256	2,952
Pledged as collateral	37	0	37	39	9	47
Equity instruments	372	-11	362	390	-9	381
Debt securities	2,651	-429	2,222	2,335	-247	2,088
Loans and advances to banks	0	0	0	0	0	0
Loans and advances to customers	287	0	287	483	0	483
Financial assets available for sale	0	0	0	0	0	0
Pledged as collateral	0	0	0	0	0	0
Financial assets at fair value through other comprehensive income	9,272	0	9,272	9,047	0	9,047
Pledged as collateral	212	0	212	603	0	603
Equity instruments	239	0	239	210	0	210
Debt securities	9,033	0	9,033	8,836	0	8,836
Financial assets held to maturity	0	0	0	0	0	0
Pledged as collateral	0	0	0	0	0	0
Loans and receivables to credit institutions	0	0	0	0	0	0
Loans and receivables to customers	0	0	0	0	0	0
Financial assets at amortised cost	189,106	549	189,655	204,162	522	204,684
Pledged as collateral	960	0	960	2,142	0	2,142
Debt securities	26,050	-1	26,049	26,764	-1	26,763
Loans and advances to banks	19,103	-10	19,092	23,055	-1	23,054
Loans and advances to customers	143,953	560	144,514	154,344	524	154,868
Finance lease receivables	3,763	-36	3,727	4,034	-16	4,019
Hedge accounting derivatives	132	0	132	130	0	130
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0	0	0	-4	0	-4
Property and equipment	2,293	-256	2,037	2,629	-204	2,426
Investment properties	1,159	-373	787	1,266	-170	1,096
Intangible assets	1,507	-11	1,496	1,368	-11	1,358
Investments in associates and joint ventures	198	312	510	163	273	436
Current tax assets	101	-1	100	81	-1	80
Deferred tax assets	402	-5	397	477	-2	475
Assets held for sale	213	-110	103	269	-122	146
Trade and other receivables	1,318	-14	1,305	1,408	-1	1,407
Other assets	882	-136	746	1,001	-153	848
Total assets	**236,792**	**-531**	**236,261**	**245,693**	**-153**	**245,540**
Liabilities and equity						
Financial liabilities held for trading	2,508	1	2,509	2,421	1	2,423
Derivatives	2,000	1	2,001	2,005	1	2,007
Other financial liabilities held for trading	508	0	508	416	0	416
Financial liabilities at fair value through profit or loss	14,122	-450	13,672	13,494	-206	13,289
Deposits from customers	212	0	212	265	0	265
Debt securities issued	13,446	14	13,460	13,011	13	13,024
Other financial liabilities	464	-464	0	219	-219	0
Financial liabilities at amortised cost	196,863	110	196,973	204,143	283	204,426
Deposits from banks	17,658	-20	17,638	13,141	62	13,203
Deposits from customers	162,426	156	162,583	173,066	224	173,290
Debt securities issued	16,293	-19	16,274	17,360	1	17,361
Other financial liabilities	486	-7	479	576	-4	572
Finance lease liabilities	0	0	0	515	4	520
Hedge accounting derivatives	277	0	277	269	0	269
Fair value changes of hedged items in portfolio hedge of interest rate risk	0	0	0	0	0	0
Provisions	1,705	-9	1,696	1,919	-4	1,915
Current tax liabilities	99	-2	97	61	-5	55
Deferred tax liabilities	23	-15	7	18	-14	4
Liabilities associated with assets held for sale	3	0	3	6	-2	4
Other liabilities	2,323	-133	2,190	2,369	-131	2,238
Total equity	**18,869**	**-33**	**18,836**	**20,477**	**-80**	**20,397**
Equity attributable to non-controlling interests	4,494	34	4,528	4,857	17	4,874
Additional equity instruments	993	0	993	1,490	0	1,490
Equity attributable to owners of the parent	13,381	-67	13,315	14,129	-97	14,033
Subscribed capital	860	0	860	860	0	860
Additional paid-in capital	1,477	0	1,477	1,478	0	1,478
Retained earnings and other reserves	11,045	-67	10,978	11,792	-97	11,695
Total liabilities and equity	**236,792**	**-531**	**236,261**	**245,693**	**-153**	**245,540**

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 letter in the last column sets the derived amount from IFRS figures with the appropriate eligible amount of own funds presentation 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 19							
Subscribed capital	860	0	860	0	0	860	
Additional paid-in capital	1,478	0	1,478	0	0	1,477	
Capital instruments and the related share premium accounts	2,337	0	2,337	0	0	2,337	a
Retained earnings	13,095	-89	13,007	0	-769	12,238	b
Accumulated other comprehensive income (OCI)	-1,303	-8	-1,311	-149	3	-1,458	c
Cash flow hedge reserve	-45	0	-45	0	0	-45	g
Available for sale reserve							
Fair value reserve	260	0	260	48	21	329	
Own credit risk reserve	-399	0	-399	-6	0	-406	o
Currency translation reserve	-610	-8	-618	0	-14	-632	
Remeasurement of defined benefit plans	-509	1	-509	-191	-4	-704	
Deferred tax							
Equity attributable to owners of the parent	**14,129**	**-97**	**14,033**	**-149**	**-766**	**13,117**	
Additional equity instruments	1,490	0	1,490	0	-1,490	0	
Equity attributable to non-controlling interests	4,857	17	4,874	-274	-153	4,448	d
Total equity	**20,477**	**-80**	**20,397**	**-423**	**-2,410**	**17,565**	

in EUR million	IFRS	Effects - scope of consolidation	CRR	IPS adjustments	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 18							
Subscribed capital	860	0	860	0	0	860	
Additional paid-in capital	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	12,280	-60	12,220	0	-679	11,541	b
Accumulated other comprehensive income (OCI)	-1,235	-6	-1,242	-11	-89	-1,342	c
Cash flow hedge reserve	-3	0	-3	0	0	-3	g
Available for sale reserve							
Fair value reserve	229	0	229	59	14	302	i
Own credit risk reserve	-435	-1	-436	-7	0	-443	h
Currency translation reserve	-598	-6	-604	0	-13	-617	
Remeasurement of defined benefit plans	-428	0	-428	-63	-91	-582	
Deferred tax							
Equity attributable to owners of the parent	**13,381**	**-67**	**13,315**	**-11**	**-768**	**12,535**	
Additional Tier 1 (AT1)	993	0	993	0	-993	0	
Equity attributable to non-controlling interests	4,494	34	4,528	-66	-140	4,322	d
Total equity	**18,869**	**-33**	**18,836**	**-77**	**-1,902**	**16,857**	

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 19						
Intangible assets	**1,368**	**-11**	**1,358**	**-73**	**1,285**	**e**

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 18						
Intangible assets	**1,507**	**-11**	**1,496**	**-60**	**1,436**	

Details regarding the development of intangible assets are disclosed under Note 29 Intangible assets.

Deferred Taxes

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 19						
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	103	-1	102	0	102	f
Related DTA allocated on or after Jan 14 for which 100% CET1 deduction is required			101	0	101	
Related DTA allocated up to Dec 13 for which 100% deduction from CET1 is required			1	0	1	
DTA that rely on future profitability and arise from temporary differences	374	-1	373	-373	0	
Deferred tax assets	**477**	**-2**	**475**	**-373**	**102**	

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 18						
DTA that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	23	-3	21	0	20	f
Related DTA allocated on or after Jan 14 for which 100% CET1 deduction is required			19	0	19	
Related DTA allocated up to Dec 13 for which 80% deduction from CET1 is required according to CRR transitional provisions			2	0	1	
DTA that rely on future profitability and arise from temporary differences	379	-2	376	-376	0	
Deferred tax assets	**402**	**-5**	**397**	**-377**	**20**	

Details regarding deferred tax assets are disclosed under Note 30 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 as of 31 December 2019. In accordance with Art. 48 para 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 19						
Subordinated issues, deposits and supplementary capital	6,566	2	6,568	-2,684	3,883	
Tier 2 capital instruments (including related share premium) issued by the parent company	0	0	0	0	3,617	l
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties	0	0	0	0	267	m
thereof instruments issued by subsidiaries subject to phase-out	0	0	0	0	0	
Additional Tier 1 (AT1) issuances	1,490	0	1,490	-2	1,489	j
Subordinated liabilities	**8,056**	**2**	**8,058**	**-2,686**	**5,372**	

in EUR million	IFRS	Effects - scope of consolidation	CRR	Regulatory adjustments	Own funds	Own funds disclosure table - reference
Dec 18						
Subordinated issues, deposits and supplementary capital	5,915	2	5,916	-1,912	4,004	
Tier 2 capital instruments (including related share premium) issued by the parent company	0	0	0	0	3,763	l
Qualifying own funds instruments included in consolidated tier 2 capital issued by subsidiaries and held by third parties	0	0	0	0	241	m
thereof instruments issued by subsidiaries subject to phase-out	0	0	0	0	0	
Additional Tier 1 (AT1) issuances	1,005	0	1,005	-7	999	j
Subordinated liabilities	**6,920**	**2**	**6,921**	**-1,919**	**5,003**	

Details regarding subordinated liabilities are disclosed under Note 34 Financial liabilities-at fair value through profit or loss and Note 35 Financial liabilities measured at amortised cost. EUR 84 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 43. Details for AT1 issuances can be found under section III Group Statement of Changes in Total Equity. In addition to EUR 2 million AT1 from Bausparkasse der österreichischen Sparkassen Aktiengesellschaft considered in 2017, EUR 10 million AT1 from SPARKASSE NIEDERÖSTERREICH MITTE WEST AKTIENGESELLSCHAFT were taken into account in 2018. Whereas Sparkasse Niederösterreich Mitte West's AT1 is eligible with EUR 8 million, former's AT1 does not allow a regulatory consideration.

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. Starting 1 January 2019 the application of transitional provisions has expired.

Own funds template

Disclosure requirements: Art. 437 para 1 (d) and (e) CRR
Erste Group does not consider Art. 437 para 1 (f) CRR for the calculation of consolidated own funds.

The tables below present the composition of the regulatory capital based on the Implementing Technical Standards (EU) No 1423/2013 on the disclosure of own funds.

Shown are the current amount, references to the respective CRR articles and referenced to the above shown tables (equity, intangible assets, deferred tax assets and subordinated liabilities).

	in EUR million	Dec 19	Regulation (EU) No 575/2013	Reference to tables
1	Capital instruments and the related share premium accounts	2,337	26(1), 27, 28, 29, EBA list 26(3)	a
	of which: ordinary shares	2,337	EBA list 26(3)	a
2	Retained earnings	12,238	261)(c)	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-1,458	26(1)	c
3a	Fund for general banking risk	0	26(1)(f)	
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)	
	Public sector capital injections grandfathered until Jan 18	0	483(2)	
5	Minority interests (amount allowed in consolidated CET1)	4,448	84, 479, 480	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26(2)	
6	**CET1 capital before regulatory adjustments**	**17,565**		
Common Equity Tier 1 (CET1): regulatory adjustments				
7	Additional value adjustments (negative amount)	-85	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-1,285	36(1)(b), 37, 472(4)	e
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)	-102	36(1)(c), 38, 472(5)	f
11	Fair value reserves related to gains or losses on cash flow hedges	45	33(a)	g
12	Negative amounts resulting from the calculation of expected loss amounts	-158	36(1)(d),40, 159, 472(6)	
13	Any increase in equity that results from securitised assets (negative amount)	0	32(1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	403	33(b)	o
15	Defined-benefit pension fund assets (negative amount)	0	36(1)(e), 41, 472(7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-68	36(1)(f), 42, 472(8)	
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)	
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)	
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)-(3), 79, 470, 472(11)	
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	-45	36(1)(k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36(1)(k)(i), 89-91	
20c	of which: securitisation positions (negative amount)	-45	36(1)(k)(ii), 243(1)(b), 244(1)(b), 258	
20d	of which: free deliveries (negative amount)	0	36(1)(k)(iii), 379(3)	
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)	
22	Amount exceeding the 15% threshold (negative amount)	0	48(1)	
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)	
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)	
25a	Losses for the current financial year (negative amount)	-17	36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36(1)(l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0		
	of which: unrealised losses	0	467	
	of which: unrealised gains	0	468	
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	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36(1)(j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1,313		
29	**CET1 capital**	**16,252**		

The table is continued on the next page.

in EUR million		Dec 19	Regulation (EU) No 575/2013	Reference to tables
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	1,490	51, 52	
31	of which: classified as equity under applicable accounting standards	1,490		
32	of which: classified as liabilities under applicable accounting standards	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)	
	Public sector capital injections grandfathered until Jan 18	0	483(3)	
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	8	85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486(3)	
36	**AT1 capital before regulatory adjustments**	**1,498**		**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)	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)	
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)	
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)	
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		
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	0	472, 472(3)(a), 472(4), 472(6),472(8)(a) 472(9), 472(10)(a), 472(11)(a)	
	of which: interim loss	0		
	of which: intangible assets	0		
	of which: shortfall of provisions to expected loss	0		
	of which: own CET1 Instruments	0		
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		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	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	
	of which: possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56(e)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-2**		
44	**Additional Tier 1 (AT1) capital**	**1,497**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**17,749**		
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	3,660	62, 63	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)	
	Public sector capital injections grandfathered until Jan 18	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	267		m
49	of which: instruments issued by subsidiaries subject to phase-out	0	486(4)	
50	Credit risk adjustments	328	62(c)(d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	**4,255**	**0**	
T2 capital: regulatory adjustments			**0**	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-44		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		
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)	
54a	of which: new holdings not subject to transitional arrangements	0		
54b	of which: holdings existing before 1 Jan 2013 and subject to transitional arrangements	0		
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)	0.0	66(d), 69, 79, 477(4)	

The table is continued on the next page.

in EUR million		Dec 19	Regulation (EU) No 575/2013	Reference to tables
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		
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	0	472, 472(3)(a), 472(4), 472(6), 472(8)(a),472(9), 472(10)(a), 472(11)(a)	
	of which: shortfall of provisions to expected loss	0	472(6)	
	of which: non-significant investments	0	472(10)	
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)	
	of which: reciprocal cross holdings in T1 instruments	0		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	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	
	of which possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-44**		
58	**Tier 2 (T2) capital**	**4,211**		
59	**Total capital (TC = T1 + T2)**	**21,961**		
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		
	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)	
	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)	
	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)	
60	**Total risk-weighted assets**	**118,105**		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.8%	92(2)(a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	15.0%	92(2)(b), 465	
63	Total capital (as a percentage of total risk exposure amount)	18.6%	92(2)(c)	
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)	4.91%	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	2.50%		
66	of which: countercyclical buffer requirement	0.41%		
67	of which: systemic risk buffer requirement	2.00%		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	2.00%	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.5%	CRD 128	
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)	1,625	36(1)(h), 45, 46, 472(10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)	
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)	192	36(1)(i), 45, 48, 470, 472(11)	
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)	1,625	36(1)(c), 38, 48, 470, 472(5)	
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	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	225	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	328	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	470	62	
Capital instruments subject to phase-out arrangements (only applicable between Jan 2013 and Jan 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	30%	484(3), 486(2)&(5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484(3), 486(2)&(5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	30%	484(4), 486(3)&(5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484(4), 486(3)&(5)	
84	Current cap on T2 instruments subject to phase-out arrangements	30%	484(5), 486(4)&(5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484(5), 486(4)&(5)	

in EUR million		Dec 2018	Regulation (EU) No 575/2013	Reference to tables
1	Capital instruments and the related share premium accounts	2,336	26(1), 27, 28, 29, EBA list 26(3)	a
	of which: ordinary shares	2,336	EBA list 26(3)	a
2	Retained earnings	11,541	261)(c)	b
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-1,342	26(1)	c
3a	Fund for general banking risk	0	26(1)(f)	
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)	
	Public sector capital injections grandfathered until Jan 18	0	483(2)	
5	Minority interests (amount allowed in consolidated CET1)	4,322	84, 479, 480	d
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0	26(2)	
6	**CET1 capital before regulatory adjustments**	**16,857**		
Common Equity Tier 1 (CET1): regulatory adjustments				
7	Additional value adjustments (negative amount)	-78	34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-1,436	36(1)(b), 37, 472(4)	e
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)	-20	36(1)(c), 38, 472(5)	f
11	Fair value reserves related to gains or losses on cash flow hedges	3	33(a)	g
12	Negative amounts resulting from the calculation of expected loss amounts	-102	36(1)(d),40, 159, 472(6)	
13	Any increase in equity that results from securitised assets (negative amount)	0	32(1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	439	33(b)	o
15	Defined-benefit pension fund assets (negative amount)	0	36(1)(e), 41, 472(7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-114	36(1)(f), 42, 472(8)	
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)	
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)	
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)-(3), 79, 470, 472(11)	
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	-32	36(1)(k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)	0	36(1)(k)(i), 89-91	
20c	of which: securitisation positions (negative amount)	-32	36(1)(k)(ii), 243(1)(b), 244(1)(b), 258	
20d	of which: free deliveries (negative amount)	0	36(1)(k)(iii), 379(3)	
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)	
22	Amount exceeding the 15% threshold (negative amount)	0	48(1)	
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)	
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)	
25a	Losses for the current financial year (negative amount)	0	36(1)(a), 472(3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	0	36(1)(l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	0		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	0		
	of which: unrealised losses	0	467	
	of which: unrealised gains	0	468	
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	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	0	36(1)(j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1,340		
29	**CET1 capital**	**15,517**		

The table is continued on the next page.

Continuation of the table

in EUR million		Dec 2018	Regulation (EU) No 575/2013	Reference to tables
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	993	51, 52	
31	of which: classified as equity under applicable accounting standards	993		
32	of which: classified as liabilities under applicable accounting standards	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)	
	Public sector capital injections grandfathered until Jan 18	0	483(3)	
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	7	85, 86, 480	
35	of which: instruments issued by subsidiaries subject to phase-out	0	486(3)	
36	**AT1 capital before regulatory adjustments**	**1,000**		**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)	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)	
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)	
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)	
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		
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	0	472, 472(3)(a),472(4), 472(6), 472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
	of which: interim loss	0		
	of which: intangible assets	0		
	of which: shortfall of provisions to expected loss	0		
	of which: own CET1 Instruments	0		
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		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	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	
	of which: possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	0	56(e)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-2**		
44	**Additional Tier 1 (AT1) capital**	**999**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**16,516**		
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	3,797	62, 63	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)	
	Public sector capital injections grandfathered until Jan 18	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	241		m
49	of which: instruments issued by subsidiaries subject to phase-out	0	486(4)	
50	Credit risk adjustments	371	62(c)(d)	
51	**Tier 2 (T2) capital before regulatory adjustment**	**4,410**	**0**	
T2 capital: regulatory adjustments			**0**	
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-34		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		
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)	
54a	of which: new holdings not subject to transitional arrangements	0		
54b	of which: holdings existing before 1 Jan 2013 and subject to transitional arrangements	0		
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	66(d), 69, 79, 477(4)	

The table is continued on the next page.

Continuation of the table

in EUR million		Dec 2018	Regulation (EU) No 575/2013	Reference to tables
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		
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	0	472, 472(3)(a), 472(4), 472(6),472(8)(a), 472(9), 472(10)(a), 472(11)(a)	
	of which: shortfall of provisions to expected loss	0	472(6)	
	of which: non-significant investments	0	472(10)	
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)	
	of which: reciprocal cross holdings in T1 instruments	0		
	of which: direct holdings of non-significant investments in the capital of other financial sector entities	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	
	of which possible filter to unrealised losses	0	467	
	of which: possible filter to unrealised gains	0	468	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-35**		
58	**Tier 2 (T2) capital**	**4,375**		
59	**Total capital (TC = T1 + T2)**	**20,891**		
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		
	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)	
	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)	
	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)	
60	**Total risk-weighted assets**	**114,599**		
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.5%	92(2)(a), 465	
62	Tier 1 (as a percentage of total risk exposure amount)	14.4%	92(2)(b), 465	
63	Total capital (as a percentage of total risk exposure amount)	18.2%	92(2)(c)	
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)	3.19%	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	1.88%		
66	of which: countercyclical buffer requirement	0.31%		
67	of which: systemic risk buffer requirement	1.00%		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	1.00%	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.3%	CRD 128	
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)	567	36(1)(h), 45, 46, 472(10), 56(c), 59, 60, 475(4), 66(c), 69, 70, 477(4)	
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)	318	36(1)(i), 45, 48, 470, 472(11)	
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)	376	36(1)(c), 38, 48, 470, 472(5)	
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	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	207	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	371	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	456	62	
Capital instruments subject to phase-out arrangements (only applicable between Jan 2013 and Jan 2022)				
80	Current cap on CET1 instruments subject to phase-out arrangements	40%	484(3), 486(2)&(5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	484(3), 486(2)&(5)	
82	Current cap on AT1 instruments subject to phase-out arrangements	40%	484(4), 486(3)&(5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	484(4), 486(3)&(5)	
84	Current cap on T2 instruments subject to phase-out arrangements	40%	484(5), 486(4)&(5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	484(5), 486(4)&(5)	

54. Events after the balance sheet date

There are no significant events after the balance sheet date.

55. Country by country reporting

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

in EUR million	Operating income	Pre-tax result from continuing operations	Taxes on income	Taxes paid
Dec 19				
Austria	3,169	620	-71	-136
Croatia	424	182	-30	-40
Czech Republic	1,641	914	-168	-142
Hungary	434	192	-13	-14
Romania	711	207	-64	-80
Serbia	103	40	-2	-3
Slovakia	613	108	-50	-46
Other locations	161	66	-22	-7
Total	**7,256**	**2,330**	**-419**	**-468**
Dec 18				
Austria	2,923	543	-28	-142
Croatia	425	215	-33	-36
Czech Republic	1,584	853	-146	-144
Hungary	421	189	-9	-28
Romania	681	322	-49	-55
Serbia	90	38	-2	-3
Slovakia	628	290	-57	-46
Other locations	163	45	-8	-4
Total	**6,916**	**2,495**	**-332**	**-457**

For information regarding the country of residence of each fully consolidated entity refer to Note 56 Details of the companies wholly or partly owned by Erste Group as of 31 December 2019.

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 2019 is disclosed in Note 7 General administrative expenses.